

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

The three levels of risk are as follows:

- | | |
|-------------------|--|
| Category 1 | Deposits which are insured or collateralized with securities held by the City or by its agent in the City's name. |
| Category 2 | Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. |

| |
|--------------------|
| CITY OF IRON RIVER |
|--------------------|

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

JUNE 30, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

Category 3 Deposits which are not
 collateralized or insured.

Based on these levels of risk, the City's cash deposits
(Primary Government) are classified as follows:

SCHEDULE OF CASH AND DEPOSITS

PRIMARY GOVERNMENT

| | Category <u>1</u> | Category <u>2</u> | Category <u>3</u> | <u>Totals</u> |
|-------------------|----------------------|----------------------|----------------------|---------------|
| Cash and Deposits | \$ 221,290 | \$ - 00 | \$ 188,705 | \$ 210,832 |

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

SCHEDULE OF CASH AND DEPOSITS (Continued)

COMPONENT UNITS

On June 30, 2005, the carrying value of the Component Unit's deposits was \$ 109,598 and is comprised of cash and deposits reflected as follows:

| | |
|---------------------------------------|------------------|
| Downtown Development Authority | \$ 13449 |
| Tax Increment Financing | 96054 |
| Community Pride | <u>95</u> |
| Total Component Units | \$ 109598 |

Based on the levels of risk, the Component Unit's cash and deposits are classified as follows:

| |
|--------------------|
| CITY OF IRON RIVER |
|--------------------|

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

JUNE 30, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

SCHEDULE OF CASH AND DEPOSITS (Continued)

| <u>Component Units</u> | <u>Category</u> <u>1</u> | <u>Category</u> <u>2</u> | <u>Category</u> <u>3</u> | <u>Totals</u> |
|------------------------|-----------------------------|-----------------------------|-----------------------------|---------------|
| Cash and Deposits | \$ 95 | \$ -0- | \$ 109503 | \$ 109598 |

INVESTMENTS

The City's investments are categorized below to give an indication of the level of risk assumed at year end. **Category 1** includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS (Continued)

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the City's name. **Category 3** includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the City's name.

Neither the City nor the Component Units have investments, as reflected below:

| <u>Investment Type</u> | <u>Category 1</u> | <u>Category 2</u> | <u>Category 3</u> | <u>Carrying Value</u> | <u>Market Value</u> |
|--------------------------|-------------------|-------------------|-------------------|-----------------------|---------------------|
| | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>-0-</u> |
| Total Investments | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>-0-</u> |

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the City to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers acceptances of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

The City has adopted an investment policy, allowing for all types of deposits and investments listed above. The City's deposits and investments are in compliance with it's investment policy.

NOTE D - PENSION PLAN

DESCRIPTION OF PLAN AND PLAN ASSETS

The **City of Iron River** participates in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS).

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE D - PENSION PLAN (CONTINUED)

DESCRIPTION OF PLAN AND PLAN ASSETS
(Continued)

The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty-connected death and postretirement adjustments to plan members and their beneficiaries.

The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2004.

MERS was organized pursuant to Section 12a of Act#156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE D - PENSION PLAN (CONTINUED)

DESCRIPTION OF PLAN AND PLAN ASSETS
(Continued)

MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system.

That report may be obtained by writing to:

MERS
447 North Canal Street
Lansing, Michigan 48917-9755

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE D - PENSION PLAN (CONTINUED)

FUNDING POLICY

The obligation to contribute to and maintain the system for these employees was established by negotiation with the **City of Iron River's** competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The City is required to contribute at an actuarially determined rate. The current rate was 13.27% as of December 31, 2004.

ANNUAL PENSION COST

During the fiscal year ended June 30, 2005, the City's contributions totaling \$ 118,052.49 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal funding method.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE D - PENSION PLAN (CONTINUED)

ANNUAL PENSION COST (Continued)

Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years.

The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.

Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on age-related scale to reflect merit, longevity, and promotional salary increases.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE D - PENSION PLAN (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION FOR GASB STATEMENT NO. 25

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Underfunded AAL (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percent of Covered Payroll</u> |
|---|--|--|---------------------------------------|-------------------------|----------------------------|---|
| 2001 | \$ 4167844 | \$ 3819200 | \$ (348644) | 109% | \$ 737717 | 0 |
| 2002 | 4061115 | 4167084 | 105969 | 97% | 795179 | 13 |
| 2003 | 4163328 | 4537454 | 374126 | 92% | 855919 | 15 |
| 2004 | 4324886 | 5016462 | 691576 | 86% | 891242 | 17 |

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE D - PENSION PLAN (CONTINUED)

GASB 25 AND GASB 27 INFORMATION

The following information has been prepared to provide the information necessary to comply with GASB Statements 25 and 27.

Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1998.

All entries are based on the actuarial methods and assumptions that are used in the December 31, 2004 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

JUNE 30, 2005

NOTE D - PENSION PLAN (CONTINUED)

GASB 25 INFORMATION (as of 12/31/04)

Actuarial Accrued Liability

| | |
|---|-------------------|
| Retirees and beneficiaries currently receiving benefits | \$ 2,112,745 |
| Terminated employees not yet receiving benefits | 51,997 |
| Current employees - | |
| Accumulated employee contributions including allocated investment income | 216,129 |
| Employer Financed | <u>2,635,591</u> |
| Total Actuarial Accrued Liability | 5,016,462 |
| Net Assets Available for Benefits at Actuarial Value | <u>4,324,886</u> |
| (Market Value is \$ 4,221,604) | |
| Unfunded (Overfunded) Actuarial Accrued Liability | \$ <u>691,576</u> |

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE D - PENSION PLAN (CONTINUED)

GASB 27 INFORMATION (as of 12/31/04)

| Fiscal Year Beginning | July 01, 2006 |
|---|----------------------|
| Annual Required contribution (ARC) | \$ 155,160 |
| Amortization Factor Used (Unfunded Liabilities - 30 years) | 0.053632 |

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

BUDGET VIOLATIONS

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS
(CONTINUED)**

BUDGET VIOLATIONS (Continued)

The **City of Iron River's** actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of the **City of Iron River** were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

The total actual 2004-2005 expenditures for the following activities (cost centers) exceeded the amended budget allocations by a total of \$ 36,764, contrary to the provisions of Section 17 of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS
(CONTINUED)**

BUDGET VIOLATIONS (Continued)

| <u>ACTIVITY (COST CENTER)</u> | <u>ACTUAL</u> | <u>BUDGET</u> | <u>OVER EXPENDITURES</u> |
|-------------------------------|------------------|------------------|------------------------------|
| General Fund | | | |
| Police Department | \$ 484808 | \$ 484440 | \$ 368 |
| Outgoing Transfers | <u>131151</u> | <u>94755</u> | <u>36396</u> |
| Total | \$ 615959 | \$ 579195 | \$ 36764 |

NOTE F - ACCUMULATED FUND DEFICITS

At June 30, 2005, the City had no fund balance/retained earnings deficit in any fund.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE G - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City.

NOTE H - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2005:

| | Balance June 30, 2004 | Increases | Decreases | Balance June 30, 2005 |
|---|-----------------------------|-----------------|-------------|-----------------------------|
| Capital Assets Not Being Depreciated | \$ | \$ | \$ | \$ |
| Land and Land Improvements | 608558 | 15915 | 0 | 624473 |
| Construction in Progress | 0 | 0 | 0 | 0 |
| Total Capital Assets Not Being Depreciated | \$ 608558 | \$ 15915 | \$ 0 | \$ 624473 |

(Continued on page 136)

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE H - CAPITAL ASSETS (CONTINUED)

GOVERNMENTAL ACTIVITIES (Continued)

| | Balance June 30, <u>2004</u> | <u>Increases</u> | <u>Decreases</u> | Balance June 30, <u>2005</u> |
|--|------------------------------------|-------------------------|--------------------|------------------------------------|
| <u>Other Capital Assets</u> | | | | |
| Land Improvements | \$ 627936 | \$ 104460 | \$ 0 | \$ 732396 |
| Buildings | 2211381 | 3618 | 0 | 2214999 |
| Infrastructure | 5158352 | 375083 | 0 | 5533435 |
| Furniture & Other Equip. | <u>2647117</u> | <u>53982</u> | <u>0</u> | <u>2701099</u> |
| Total Other Cap. Assets | \$ 10644786 | \$ 537143 | \$ 0 | \$ 11181929 |
| <u>Less Accumulated Depreciation for:</u> | | | | |
| Land Improvements | (437765) | (22996) | 0 | (460761) |
| Buildings | (602421) | (43193) | 0 | (645614) |
| Infrastructure | (2570477) | (180311) | 0 | (2750788) |
| Furniture & Other Equip. | <u>(1840580)</u> | <u>(182733)</u> | <u>0</u> | <u>(2023313)</u> |
| Total Accum. Depreciation | (5451243) | (429233) | 0 | (5880476) |
| Other Capital Assets, Net | 5193543 | 107910 | 0 | 5301453 |
| TOTALS | \$ <u>5802101</u> | \$ <u>123825</u> | \$ <u>0</u> | \$ <u>5925926</u> |

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE H - CAPITAL ASSETS (CONTINUED)

GOVERNMENTAL ACTIVITIES (Continued)

Depreciation was charged to governmental functions as unallocated.

BUSINESS-TYPE ACTIVITIES

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended June 30, 2005:

| | Balance June 30, 2004 | <u>Increases</u> | <u>Decreases</u> | Balance June 30, 2005 |
|---|-----------------------------|------------------|------------------|-----------------------------|
| <u>BUSINESS-TYPE ACTIVITIES</u> | | | | |
| <u>Capital Assets Not Being Depreciated:</u> | | | | |
| Land, Easements and Right-of-Way | \$ 2000 | \$ 0 | \$ 0 | \$ 2000 |
| <u>Other Capital Assets:</u> | | | | |
| Land and Improvements | 103709 | 0 | 0 | 103709 |
| Buildings | 776690 | 0 | 0 | 776690 |
| Infrastructure | 13086191 | 570201 | 0 | 13656392 |
| Machinery and Equipment | <u>985411</u> | <u>0</u> | <u>0</u> | <u>985411</u> |
| Total Capital Assets | \$ 14954001 | \$ 570201 | \$ 0 | \$ 15524202 |

(Continued on page 138)

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE H - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES (Continued)

(Continued from previous page)

| | Balance June 30, <u>2004</u> | <u>Increases</u> | <u>Decreases</u> | Balance June 30, <u>2005</u> |
|---------------------------------|---|-------------------------|-------------------------|---|
| Less Accumulated | | | | |
| <u>Depreciation for:</u> | | | | |
| Land Improvements | \$ (36363) | \$ (5185) | \$ 0 | \$ (41548) |
| Buildings | (204562) | (15534) | 0 | (220096) |
| Infrastructure | (1813532) | (201691) | 0 | (2015223) |
| Machinery and Equipment | <u>(344297)</u> | <u>(74102)</u> | <u>0</u> | <u>(418399)</u> |
| Total Accumulated | | | | |
| Depreciation | <u>(2398754)</u> | <u>(296512)</u> | <u>0</u> | <u>(2695266)</u> |
| TOTALS | \$ <u>12555247</u> | \$ <u>273689</u> | \$ <u>0</u> | \$ <u>12828936</u> |

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE H - CAPITAL ASSETS (CONTINUED)

**COMPONENT UNIT - DOWNTOWN DEVELOPMENT
AUTHORITY**

There are no capital assets in the Downtown Development Authority.

**COMPONENT UNIT - TAX INCREMENT FINANCING
AUTHORITY**

There are no capital assets in the Tax Increment Financing Authority.

NOTE I - LONG-TERM DEBT

The following is a summary of changes of the primary government's long-term debt obligation on June 30, 2005:

GOVERNMENTAL ACTIVITIES

| | <u>7/01/04</u> | <u>INCREASES</u> | <u>DECREASES</u> | <u>6/30/05</u> |
|--|----------------|------------------|------------------|----------------|
| Note Payable Republic Bank Heating System Improvement | \$ 183772.21 | \$ 00.0 | \$ 13674.20 | \$ 170098.01 |

(Continued on page 140)

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

GOVERNMENTAL ACTIVITIES (Continued)

| | <u>7/01/04</u> | <u>INCREASES</u> | <u>DECREASES</u> | <u>6/30/05</u> |
|--|----------------|------------------|------------------|----------------|
| Iron River Building Authority Bonds Payable | \$ 255000.00 | \$ 0.00 | \$ 10000.00 | \$ 245000.00 |
| Stambaugh Building Authority Bonds Payable | 80000.00 | 0.00 | 20000.00 | 60000.00 |
| Note Payable Wells Fargo Bank # 000-00-0003-4 2000 International Demo Snowplow | 28162.09 | 0.00 | 18923.21 | 9238.88 |
| Note Payable Wells Fargo Bank # 000-00-0005-9 1988 International Plow Truck | 8374.24 | 0.00 | 4522.14 | 3852.10 |

(Continued on page 141)

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

GOVERNMENTAL ACTIVITIES (Continued)

(Continued from previous page)

| | <u>7/01/04</u> | <u>INCREASES</u> | <u>DECREASES</u> | <u>6/30/05</u> |
|---|---------------------|-------------------|---------------------|---------------------|
| Note Payable Wells Fargo Bank # 000-00-0006-7 1988 International Dump Truck | \$ 8764.00 | \$ 0.00 | \$ 4732.39 | \$ 4031.61 |
| Note Payable Wells Fargo Bank # 000-00-0007-5 Sweeper | \$ 56133.04 | \$ 0.00 | \$ 31499.13 | \$ 24633.91 |
| Long-Term Portion Sick Leave | <u>47869.75</u> | <u>4394.97</u> | <u>0.00</u> | <u>52264.72</u> |
| Total Long-Term Debt | <u>\$ 668075.33</u> | <u>\$ 4394.97</u> | <u>\$ 103351.07</u> | <u>\$ 569119.23</u> |

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

HEATING SYSTEM IMPROVEMENT

On September 24, 1998, the City entered into an installment purchase agreement with the D & N Bank in the amount of \$246,320 for the purchase and installation of heating equipment. The note, bearing an interest rate of 5.61%, is payable in fifteen annual installments of \$24,854.03 commencing on October 05, 1999. The useful life of the equipment is determined to be not less than forty (40) years.

The obligation of the City to pay principal and interest under the agreement is a general obligation of the City. The City has agreed to include in its budget and pay each year such sums as are necessary to make all payments when due. The City has designated the obligations under this agreement as "qualified tax-exempt obligations" for the purpose of deduction of interest expense by financial institutions.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

HEATING SYSTEM IMPROVEMENT (Continued)

The installment purchase agreement complies with the provisions of Act 99.

**1995 CITY OF IRON RIVER BUILDING AUTHORITY
BONDS**

The Iron River Building Authority approved a resolution on October 11, 1995 to issue bonds in the aggregate principal sum of \$320,000 in anticipation of the commitments of the City under the Contract to finance the renovation in the City Hall to comply with the Americans with Disabilities Act, all as set out in a certain Full Faith and Credit General Obligation Contract of Lease between the City and the Authority.

The 1995 Building Authority Bond consists of one single fully registered non-convertible bond of denomination of \$320,000, payable in principal installments on November 1 of each year.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE 1 - LONG-TERM DEBT (CONTINUED)

**1995 CITY OF IRON RIVER BUILDING AUTHORITY
BONDS (Continued)**

The serial principal installments bear interest at the rate of not to exceed 5.125% per annum, payable on the first day of May and November of each year. The first principal installment of \$5,000, along with accrued interest, was due on November 1, 1996.

Scheduled payments of principal and interest are as follows:

| | <u>May 1</u> | | <u>November 1</u> | |
|------|-----------------|------------------|-------------------|--------------|
| | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2005 | \$ 0.00 | \$ 10,000 | \$ 6,278.13 | \$ 16,278.13 |
| 2006 | 6,021.83 | 10,000 | 6,021.83 | 22,043.66 |
| 2007 | 5,765.63 | 10,000 | 5,765.63 | 21,531.26 |
| 2008 | 5,509.38 | 10,000 | 5,509.38 | 21,018.76 |

(Continued on page 145)

| |
|--------------------|
| CITY OF IRON RIVER |
|--------------------|

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

**1995 CITY OF IRON RIVER BUILDING AUTHORITY
BONDS (Continued)**

(Continued from previous page)

| | <u>May 1</u> | | <u>November 1</u> | |
|---------------|----------------------------|--------------------------|----------------------------|-----------------------------|
| | <u>Interest</u> | | <u>Principal</u> | <u>Interest</u> |
| | | | | <u>Total</u> |
| 2009 | \$ 5,125.00 | \$ 15,000 | \$ 5,125.00 | \$ 25,250.00 |
| 2010 | 4,740.63 | 15,000 | 4,740.62 | 24,481.25 |
| 2011 | 4,356.25 | 15,000 | 4,356.25 | 23,712.50 |
| 2012 | 3,971.88 | 15,000 | 3,981.87 | 22,953.75 |
| 2013 | 3,715.63 | 15,000 | 3,715.62 | 22,431.25 |
| 2014 | 3,331.25 | 15,000 | 3,331.25 | 21,662.50 |
| 2015 | 2,946.88 | 15,000 | 2,946.87 | 20,893.75 |
| 2016 | 2,562.50 | 20,000 | 2,562.50 | 25,125.00 |
| 2017 | 2,050.00 | 20,000 | 2,050.00 | 24,100.00 |
| 2018 | 1,537.50 | 20,000 | 1,537.50 | 23,075.00 |
| 2019 | 1,025.00 | 20,000 | 1,025.00 | 22,050.00 |
| 2020 | <u>512.50</u> | <u>20,000</u> | <u>512.50</u> | <u>21,025.00</u> |
| Totals | \$ <u>53,171.86</u> | \$ <u>245,000</u> | \$ <u>59,459.95</u> | \$ <u>357,631.81</u> |

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

1993 STAMBAUGH BUILDING AUTHORITY BONDS

The Stambaugh Building Authority entered into an agreement through Michigan Municipal Bond Authority's State Revenue Sharing Pledge Program to borrow \$205,000. The Authority used the proceeds from general obligation limited tax bonds to finance the construction of a Department of Public Works facility for the City.

The bonds are secured by a lease agreement with the City and will be retired through lease payments from the City.

The general obligation limited tax building authority bonds were issued on August 26, 1993, and mature annually on May 01 of each year through 2008. Interest is payable semi-annually on May 01 and November 01.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE 1 - LONG-TERM DEBT (CONTINUED)

**1993 STAMBAUGH BUILDING AUTHORITY BONDS
(Continued)**

Scheduled payments of principal and interest are stated as follows:

| <u>Period Ending</u> | <u>Principal</u> | <u>Coupon</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|--------------------------|------------------|---------------|-----------------|-------------------------------|
| May 1, 2005 | \$ 0.00 | 0% | \$ 2075.00 | \$ 2075.00 |
| Nov 1, 2005 | | | 1570.00 | 1570.00 |
| May 1, 2006 | 20000.00 | 5.150% | 1570.00 | 21570.00 |
| Nov 1, 2006 | | | 1055.00 | 1055.00 |
| May 1, 2007 | 20000.00 | 5.250% | 1055.00 | 21055.00 |
| Nov 1, 2007 | | | 530.00 | 530.00 |
| May 1, 2008 | <u>20000.00</u> | 5.300% | <u>530.00</u> | <u>20530.00</u> |
| | \$ 60000.00 | | \$ 8385.00 | \$ 68385.00 |

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

NOTE PAYABLE - WELLS FARGO BANK
2000 International Demo Snowplow

On October 25, 2000, the City entered into an installment purchase agreement with Schultz Equipment and Parts Company and Wells Fargo Bank Michigan for the purchase of a 2000 International Demo Snowplow in the amount of \$86,011. The note bears interest at the rate of 5.90%, payable in 60 monthly installments of \$1,658.83.

On June 30, 2005, the principal balance on the note was \$ 9,238.88.

NOTE PAYABLE - WELLS FARGO BANK
1988 International Plow Truck

On March 19, 2001, the City of Iron River signed a promissory note in the principal amount of \$21,500, bearing interest at the rate of 5.54% for the purchase of a 1988 International plow truck.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

**NOTE PAYABLE - WELLS FARGO BANK
1988 International Plow Truck (Continued)**

The note is payable in 61 monthly payments of \$405.83 beginning April 15, 2001, with all subsequent payments due on the fifteenth day of each month thereafter.

The principal balance of the note on June 30, 2005 was \$ 3,852.10.

**NOTE PAYABLE - WELLS FARGO BANK
1988 International Dump Truck**

On March 19, 2001, the City of Iron River signed a promissory note in the principal amount of \$ 22,500 for the purchase of a 1988 International dump truck. The note bears interest at the rate of 5.54% per annum and is payable in 61 monthly payments of \$ 424.70 beginning April 15, 2001 and on the fifteenth day of each month thereafter.

On June 30, 2005, the principal balance of the note was \$ 4,031.61.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

NOTE PAYABLE - WELLS FARGO BANK
Sweeper

On April 10, 2001, the **City of Iron River** signed a promissory note with Wells Fargo Bank in the principal amount of \$147,905 for the purchase of a sweeper, bearing interest at the rate of 5.54% per annum, payable in 61 monthly payments of \$2,833.52 beginning on May 10, 2001 and payable on the tenth day of each month thereafter.

On June 30, 2005, the principal balance of the note was \$ 24,633.91.

LONG-TERM EMPLOYEE BENEFITS PAYABLE

Long-term employee sick leave, plus the related costs of FICA, Medicare, and retirement will be payable at the rate of 50% at termination. On June 30, 2005, the accrued liability totaled \$ 104,529.43. One half of the liability is \$ 52,264.72 and is reflected as a long term liability in the City's financial statements.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

| | <u>July 01, 2004</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2005</u> |
|---|------------------------------|--------------------------|----------------------------|------------------------------|
| <u>Business-type activities</u> \$ | | \$ | \$ | \$ |
| Water Supply System Revenue Bond (Former City of Stambaugh) | 2089000 | -0- | 25000 | 2064000 |
| City of Iron River 2001 Water Supply System Revenue Bond | <u>4806000</u> | <u>-0-</u> | <u>69000</u> | <u>4737000</u> |
| TOTALS | \$ <u>6895000</u> | \$ <u>-0-</u> | \$ <u>94000</u> | \$ <u>6801000</u> |

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY SYSTEM REVENUE BOND PAYABLE

In May of 1999, the former City of Stambaugh, pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended, approved the issuance of water supply system revenue bonds in the amount of \$2,202,000 for the acquisition, construction, and equipping of improvements to the Water Supply system of the former City of Stambaugh.

The total cost of the Project was estimated to be not less than \$4,637,000, and the period of usefulness of the Project was estimated to be not less than 40 years. The remaining cost of the project is to be defrayed from grant funds and Issuer funds on hand and legally available for such use.

Water Supply System bonds mature annually on May 01 of each year through May 01, 2039. Interest is payable semi-annually on May 01 and November 01 of each year at a rate of 4.50% per annum.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

JUNE 30, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY SYSTEM REVENUE BOND PAYABLE
(Continued)

Scheduled payments of principal and interest are as follows:

| | <u>May 1</u> | | <u>November 1</u> | |
|------|------------------|-----------------|-------------------|--------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Interest</u> | <u>Total</u> |
| 2005 | \$ 0 | \$ 0 | \$ 46,440 | \$ 46,440 |
| 2006 | 27,000 | 46,440 | 45,833 | 119,273 |
| 2007 | 28,000 | 45,833 | 45,203 | 119,036 |
| 2008 | 29,000 | 45,203 | 44,550 | 118,753 |
| 2009 | 31,000 | 44,550 | 43,853 | 119,403 |
| 2010 | 32,000 | 43,853 | 43,133 | 118,986 |
| 2011 | 33,000 | 43,133 | 42,390 | 118,523 |
| 2012 | 35,000 | 42,390 | 41,603 | 118,993 |

(Continued on page 154)

| |
|--------------------|
| CITY OF IRON RIVER |
|--------------------|

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

**WATER SUPPLY SYSTEM REVENUE BOND PAYABLE
(Continued)**

| | <u>May 1</u> | | <u>November 1</u> | |
|---------------|---------------------|---------------------|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Interest</u> | <u>Total</u> |
| 2013 | \$ 36,000 | \$ 41,603 | \$ 40,793 | \$ 118,396 |
| 2014 | 38,000 | 40,793 | 39,938 | 118,731 |
| 2015 | 40,000 | 39,938 | 39,038 | 118,976 |
| 2016 | 41,000 | 39,038 | 38,115 | 118,153 |
| 2017 | 44,000 | 38,115 | 37,125 | 119,240 |
| 2018 | 45,000 | 37,125 | 36,113 | 118,238 |
| 2019 | 48,000 | 36,113 | 35,033 | 119,146 |
| 2020-2024 | 271,000 | 163,531 | 157,433 | 591,964 |
| 2025-2029 | 338,000 | 130,140 | 122,535 | 590,675 |
| 2030-2034 | 421,000 | 88,562 | 79,090 | 588,652 |
| 2035-2039 | <u>527,000</u> | <u>36,722</u> | <u>24,864</u> | <u>588,586</u> |
| Totals | \$ 2,064,000 | \$ 1,003,082 | \$ 1,003,082 | \$ 4,070,164 |

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

**LONG-TERM DEBT - FORMER VILLAGE OF MINERAL
HILLS**

Sewage Disposal System Revenue Bonds, Series A and B, issued on April 02, 1996, consisted of two (2) single fully-registered nonconvertible bonds of the denominations of \$111,000, and \$60,000, and bear interest at the rate of 4.50% per annum.

**CITY OF IRON RIVER 2001 WATER SUPPLY SYSTEM
REVENUE BOND**

On June 27, 2001 pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended, the **City of Iron River** approved the issuance of water supply system revenue bonds in the amount of \$5,000,000 for the purpose of paying all or part of the cost of water supply system improvements, consisting of water meters, hydrants, valves, transmission and distribution lines, the sites therefore and all related appurtenances and attachments, to serve the users of the City's water system.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

**CITY OF IRON RIVER 2001 WATER SUPPLY SYSTEM
REVENUE BOND (Continued)**

The principal of and interest on said revenue bonds shall be payable solely from the revenues received by the City from the operations of the water system. The bonds are payable in annual installments not to exceed forty in number and will bear interest at the rate of 3.25%.

Scheduled payments of principal and interest are as follows:

| | <u>May 1</u> | | <u>November 1</u> | |
|------|------------------|-----------------|-------------------|--------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Interest</u> | <u>Total</u> |
| 2005 | \$ 0 | \$ 0 | \$ 76,976 | \$ 76,976 |
| 2006 | 71,000 | 76,976 | 75,823 | 223,799 |
| 2007 | 73,000 | 75,823 | 74,636 | 223,459 |
| 2008 | 75,000 | 74,636 | 73,418 | 223,054 |
| 2009 | 78,000 | 73,418 | 72,150 | 223,568 |
| 2010 | 81,000 | 72,150 | 70,834 | 223,984 |
| 2011 | 83,000 | 70,834 | 69,485 | 223,319 |

(Continued on page 157)

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

**CITY OF IRON RIVER 2001 WATER SUPPLY SYSTEM
REVENUE BOND (Continued)**

(Continued from previous page)

| | <u>May 1</u> | | <u>November 1</u> | |
|---------------|---------------------|---------------------|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Interest</u> | <u>Total</u> |
| 2012 | \$ 86,000 | \$ 69,485 | \$ 68,088 | \$ 223,573 |
| 2013 | 89,000 | 68,088 | 66,641 | 223,729 |
| 2014 | 92,000 | 66,641 | 65,146 | 223,787 |
| 2015 | 95,000 | 65,146 | 63,603 | 223,749 |
| 2016 | 98,000 | 63,603 | 62,010 | 223,613 |
| 2017 | 101,000 | 62,010 | 60,369 | 223,379 |
| 2018 | 105,000 | 60,369 | 58,663 | 224,032 |
| 2019 | 108,000 | 58,663 | 56,908 | 223,571 |
| 2020 | 111,000 | 56,908 | 55,104 | 223,012 |
| 2021 | 115,000 | 55,104 | 53,235 | 223,339 |
| 2022-2026 | 635,000 | 246,188 | 235,869 | 1,117,057 |
| 2027-2031 | 743,000 | 191,200 | 179,125 | 1,113,325 |
| 2032-2036 | 873,000 | 126,735 | 112,548 | 1,112,283 |
| 2037-2041 | <u>1,025,000</u> | <u>51,042</u> | <u>34,386</u> | <u>1,110,428</u> |
| Totals | \$ 4,737,000 | \$ 1,685,019 | \$ 1,685,017 | \$ 8,107,036 |

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE J - SEGMENT INFORMATION - Enterprise Funds

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>RV Park Fund</u> | <u>Total Enterprise Funds</u> |
|--|-----------------------|-----------------------|-------------------------|---------------------------------------|
| Operating Revenues | \$ 845588 | \$ 802554 | \$ 29738 | \$ 1677880 |
| Depreciation and Amortization Expense | 248377 | 40996 | 7139 | 296512 |
| Operating Income or (Loss) | 169803 | 198097 | (14180) | 353720 |
| Operating Grants, Entitlements, and Shared Revenues | 0 | 0 | 0 | 0 |
| Operating Transfers: | | | | |
| In | 0 | 0 | 0 | 0 |
| (Out) | 0 | 0 | 0 | 0 |
| Tax Revenues | 0 | 0 | 0 | 0 |
| Net Income or Loss | 651777 | 204940 | (14088) | 842629 |
| Current Capital: | | | | |
| Contributions | 0 | 0 | 0 | 0 |
| Transfers | 0 | 0 | 0 | 0 |

(Continued on page 159)

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE J - SEGMENT INFORMATION - Enterprise Funds (CONTINUED)

(Continued from previous page)

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>RV Park Fund</u> | <u>Total Enterprise Funds</u> |
|--|-----------------------|-----------------------|-------------------------|---------------------------------------|
| Property, Plant, and Equipment | \$ | \$ | \$ | \$ |
| Additions | 570201 | 0 | 0 | 570201 |
| Deletions | 0 | 0 | 0 | 0 |
| Net Working Capital | 110118 | 15022 | 35 | 125175 |
| Total Assets | 11879473 | 2257555 | 114257 | 14251285 |
| Bonds and Other Long-Term Liabilities | | | | |
| Payable from Operating Revenues | 6801000 | 0 | 0 | 6801000 |
| Payable from Other Sources | 0 | 0 | 0 | 0 |
| Total Equity | \$ 4818839 | \$ 2117529 | \$ 113957 | \$ 7050325 |

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE K - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or even the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business.

However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE K - RELATED PARTY TRANSACTIONS (CONTINUED)

On this basis, there were no related party transactions reported in the financial statements.

NOTE L - SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure. They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended June 30, 2005, there were no subsequent events that would have a significant affect on the City's operations.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2005

NOTE M - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The City participates in state and federal grant programs which are governed by various rules and regulations of the grantor agencies.

Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectibility of any related receivable at June 30, 2005 may be impaired.

In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF IRON RIVER

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

FISCAL YEAR ENDED JUNE 30, 2005

| | ORIGINAL BUDGET | FINAL AMENDED BUDGET | ACTUAL |
|--|----------------------------|-------------------------------------|---------------------|
| <u>REVENUE</u> | | | |
| General Property Taxes | \$ 770,000 | \$ 776,000 | \$ 776,621 |
| Other Local Taxes | 13,000 | 10,000 | 10,318 |
| Penalties and Interest on Taxes | 28,000 | 31,015 | 36,261 |
| Licenses, Permits and Fines | 2,396 | 10,046 | 10,487 |
| Use of Money and Property | 162,750 | 206,007 | 221,534 |
| Charges for Services | 205,000 | 205,000 | 203,315 |
| Miscellaneous | 12,400 | 8,300 | 9,439 |
| Recovered Costs | 25,000 | 25,000 | 21,136 |
| Intergovernmental | 472,146 | 472,446 | 467,859 |
| TOTAL REVENUE | \$ 1,690,692 | \$ 1,743,814 | \$ 1,756,970 |
| <u>EXPENDITURES</u> | | | |
| General Government | 447,579 | 517,941 | 491,426 |
| Legislative | 7,550 | 9,007 | 8,728 |
| Public Safety | 542,170 | 507,140 | 503,943 |
| Public Works | 324,583 | 280,133 | 274,020 |
| Highways and Streets | 92,906 | 98,242 | 94,990 |
| Sanitation and Health | 174,830 | 140,060 | 108,285 |
| Culture and Recreation | 108,125 | 81,501 | 79,861 |
| Community Development | 14,500 | 15,000 | 14,856 |
| Capital Outlay | 28,500 | 131,380 | 130,987 |
| Intergovernmental Payments | - | - | - |
| TOTAL EXPENDITURES | \$ 1,740,743 | \$ 1,780,404 | \$ 1,707,096 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Operating Transfers In | - | - | - |
| Operating Transfers Out | (89,229) | (94,755) | (131,151) |
| Transfers to Component Units | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (89,229) | (94,755) | (131,151) |
| NET CHANGE IN FUND BALANCE | (139,280) | (131,345) | (81,277) |
| FUND BALANCE - Beginning of Year | 714,451 | 714,451 | 714,451 |
| FUND BALANCE - End of Year | \$ 575,171 | \$ 583,106 | \$ 633,174 |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND**

FISCAL YEAR ENDED JUNE 30, 2005

| | ORIGINAL BUDGET | FINAL AMENDED BUDGET | ACTUAL |
|--|----------------------------|-------------------------------------|-------------------|
| <u>REVENUE</u> | | | |
| State Shared - Act 51 | \$ 314,095 | \$ 324,494 | \$ 328,972 |
| Trunkline Maintenance | 30,000 | 30,000 | 30,257 |
| Interest Income | 500 | 7,500 | 9,691 |
| Other | 290,714 | 348,265 | 348,266 |
| TOTAL REVENUE | \$ 635,309 | \$ 710,259 | \$ 717,186 |
| <u>EXPENDITURES</u> | | | |
| Administration | 30,824 | 30,824 | 30,805 |
| Routine Maintenance | 76,030 | 126,128 | 123,285 |
| Winter Maintenance | 118,428 | 86,158 | 77,651 |
| State Trunkline Maintenance | 42,249 | 42,249 | 31,731 |
| Capital Outlay | 458,325 | 427,016 | 375,083 |
| TOTAL EXPENDITURES | \$ 725,856 | \$ 712,375 | \$ 638,555 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Operating Transfers (Out) | - | (65,000) | (65,000) |
| NET CHANGE IN FUND BALANCE | (90,547) | (67,116) | 13,631 |
| FUND BALANCE - Beginning of Year | 374,245 | 374,245 | 374,245 |
| FUND BALANCE - End of Year | \$ 283,698 | \$ 307,129 | \$ 387,876 |

The notes to the financial statements are an integral part of this report.

OTHER SUPPLEMENTAL INFORMATION

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2005

| | <u>Special Revenue</u> | <u>Debt Service Funds</u> | |
|--|------------------------------|------------------------------|-------------------------------|
| | <u>Local Street Fund</u> | <u>Debt Service Fund</u> | <u>Building Authority</u> |
| <u>ASSETS</u> | | | |
| Cash and Investments (Note C) | \$ 221,202 | \$ 6,758 | \$ 3,761 |
| Receivables | | | |
| Accounts Receivable | - | - | - |
| Due from Other Funds | - | - | - |
| TOTAL ASSETS | <u>\$ 221,202</u> | <u>\$ 6,758</u> | <u>\$ 3,761</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | - | - | - |
| Accrued Salaries and Benefits | 1,619 | | |
| Due to Other Funds | 312 | | |
| TOTAL LIABILITIES | <u>\$ 1,931</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>FUND BALANCES</u> | | | |
| Reserved for Local Streets | 219,271 | - | - |
| Reserved for Capital Projects | | | |
| Reserved for Debt Service | | 6,758 | 3,761 |
| TOTAL FUND BALANCES | <u>\$ 219,271</u> | <u>\$ 6,758</u> | <u>\$ 3,761</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 221,202</u> | <u>\$ 6,758</u> | <u>\$ 3,761</u> |

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2005

| <u>Capital Project Fund</u> | <u>Total</u> |
|---------------------------------|-------------------|
| \$ 4,449 | \$ 236,170 |
| - | - |
| - | - |
| <u>\$ 4,449</u> | <u>\$ 236,170</u> |
| | |
| - | - |
| - | 1,619 |
| - | 312 |
| <u>\$ -</u> | <u>\$ 1,931</u> |
| | |
| - | 219,271 |
| 4,449 | 4,449 |
| - | 10,519 |
| <u>\$ 4,449</u> | <u>\$ 234,239</u> |
| | |
| <u>\$ 4,449</u> | <u>\$ 236,170</u> |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2005

| | <u>Special Revenue</u> <u>Local Street</u> <u>Fund</u> | <u>Debt Service Funds</u> <u>Debt Service</u> <u>Fund</u> | <u>Building</u> <u>Authority</u> |
|--|--|---|-------------------------------------|
| <u>REVENUE</u> | | | |
| Use of money and property | \$ 2,225 | \$ 137 | \$ 47,000 |
| Miscellaneous local revenue | 2,300 | | |
| Intergovernmental | 96,545 | | |
| TOTAL REVENUE | \$ 101,070 | \$ 137 | \$ 47,000 |
| <u>EXPENDITURES</u> | | | |
| Current: | | | |
| Highways and streets | 155,639 | - | - |
| Debt Service | | | |
| Principal | | 73,356 | 30,000 |
| Interest and Fees | | 15,373 | 16,962 |
| Capital Outlay | | | |
| Other Expense | | | |
| Intergovernmental Payments | | | |
| TOTAL EXPENDITURES | \$ 155,639 | \$ 88,729 | \$ 46,962 |
| Excess (Deficiency) of Revenues Over Expenditures | (54,569) | (88,592) | 38 |
| <u>Other Financing Sources (Uses)</u> | | | |
| Operating transfers in | 65,000 | 88,729 | - |
| Operating transfers out | | | |
| Total Other Financing Sources (Uses) | 65,000 | 88,729 | - |
| Net Change in Fund Balances | 10,431 | 137 | 38 |
| FUND BALANCE - BEGINNING OF YEAR | 208,840 | 6,621 | 3,723 |
| FUND BALANCE - END OF YEAR | \$ 219,271 | \$ 6,758 | \$ 3,761 |

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2005

| <u>Capital Project Fund</u> | <u>Totals</u> |
|---------------------------------|-------------------|
| \$ 166 | \$ 49,528 |
| 8,755 | 11,055 |
| | <u>96,545</u> |
| \$ 8,921 | \$ 157,128 |
| - | 155,639 |
| | - |
| | 103,356 |
| | 32,335 |
| 46,989 | 46,989 |
| 6,458 | 6,458 |
| | <u>-</u> |
| \$ 53,447 | \$ 344,777 |
| (44,526) | (187,649) |
| 5,076 | 158,805 |
| | <u>-</u> |
| 5,076 | 158,805 |
| (39,450) | (28,844) |
| 43,899 | 263,083 |
| <u>\$ 4,449</u> | <u>\$ 234,239</u> |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2005

| | <u>MAJOR STREET FUND</u> | <u>LOCAL STREET FUND</u> | <u>TOTAL</u> |
|---|----------------------------------|----------------------------------|--------------------------|
| <u>ASSETS</u> | | | |
| Cash and Deposits | \$ 391,527 | \$ 221,202 | \$ 612,729 |
| TOTAL ASSETS | <u>\$ 391,527</u> | <u>\$ 221,202</u> | <u>\$ 612,729</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | |
| <u>LIABILITIES</u> | | | |
| Accrued Benefits | 3,182 | 1,619 | 4,801 |
| Due To Other Funds | 469 | 312 | 781 |
| TOTAL LIABILITIES | 3,651 | 1,931 | 5,582 |
| <u>FUND EQUITY</u> | | | |
| Fund Balance, Reserved | 387,876 | 219,271 | 607,147 |
| TOTAL FUND EQUITY | 387,876 | 219,271 | 607,147 |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 391,527</u> | <u>\$ 221,202</u> | <u>\$ 612,729</u> |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS**

FISCAL YEAR ENDED JUNE 30, 2005

| | <u>MAJOR STREET FUND</u> | <u>LOCAL STREET FUND</u> | <u>TOTAL</u> |
|--|----------------------------------|----------------------------------|--------------------------|
| <u>REVENUES</u> | | | |
| State Shared Revenue - Act 51 | \$ 328,972 | \$ 96,545 | \$ 425,517 |
| Trunkline Maintenance | 30,257 | - | 30,257 |
| Other | 348,266 | 2,300 | 350,566 |
| Interest | 9,691 | 2,225 | 11,916 |
| TOTAL REVENUES | \$ 717,186 | \$ 101,070 | \$ 818,256 |
| <u>EXPENDITURES</u> | | | |
| Administration | 30,805 | 7,873 | 38,678 |
| Routine Maintenance | 123,285 | 75,511 | 198,796 |
| Winter Maintenance | 77,651 | 72,255 | 149,906 |
| State Trunkline Maintenance : | | | |
| General Maintenance | 9,508 | - | 9,508 |
| Sweeping | 6,910 | - | 6,910 |
| Traffic | 2,114 | - | 2,114 |
| Snow Removal | 13,199 | - | 13,199 |
| Capital Outlay | 375,083 | - | 375,083 |
| TOTAL EXPENDITURES | \$ 638,555 | \$ 155,639 | \$ 794,194 |
| Excess of Revenues Over (Under) | | | |
| Expenditures | 78,631 | (54,569) | 24,062 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfer In (Out) | (65,000) | 65,000 | - |
| Excess of Revenues and Other Sources | | | |
| Over (Under) Expenditures and Other Uses | 13,631 | 10,431 | 24,062 |
| FUND BALANCE, JULY 1 | 374,245 | 208,840 | 583,085 |
| FUND BALANCE, JUNE 30 | <u><u>\$ 387,876</u></u> | <u><u>\$ 219,271</u></u> | <u><u>\$ 607,147</u></u> |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**GENERAL FUND
BALANCE SHEET**

JUNE 30, 2005

ASSETS

| | |
|--|----------------|
| Cash and Deposits | \$ 462,842 |
| Delinquent Taxes Receivable | 21,334 |
| Accounts Receivable : | |
| Federal | - |
| State | 55,435 |
| Other | 28,042 |
| Due From Other - Retirees Health Insurance | 1,631 |
| Due From Other Funds | <u>130,814</u> |

TOTAL ASSETS

\$ 700,098

LIABILITIES AND FUND EQUITY

LIABILITIES

| | |
|-------------------------------|---------------|
| Accounts Payable | 1,721 |
| Accrued Salaries and Benefits | 27,507 |
| Deferred Revenue | 350 |
| Due To Other Funds | <u>37,346</u> |

TOTAL LIABILITIES

\$ 66,924

FUND EQUITY

| | |
|--------------------------|----------------|
| Fund Balance, Unreserved | <u>633,174</u> |
|--------------------------|----------------|

TOTAL FUND EQUITY

633,174

TOTAL LIABILITIES AND FUND EQUITY

\$ 700,098

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**GENERAL FUND
STATEMENT OF REVENUES**

ACTUAL AND BUDGET

FISCAL YEAR ENDED JUNE 30, 2005

| <u>REVENUES</u> | | | VARIANCE |
|---|---------------------|---------------------|------------------------------------|
| <u>LOCAL REVENUE</u> | <u>ACTUAL</u> | <u>BUDGET</u> | Favorable (Unfavorable) |
| <u>Property Tax</u> | | | |
| Property Tax | \$ 776,621 | \$ 776,000 | \$ 621 |
| Payment in Lieu of Taxes | 10,318 | 10,000 | 318 |
| Penalties, Interest and Fees | 36,261 | 31,015 | 5,246 |
| Total Property Tax | 823,200 | 817,015 | 6,185 |
| Interest | 9,541 | 10,200 | (659) |
| <u>Revenue From Use of Property</u> | | | |
| Equipment Rental | 201,329 | 185,000 | 16,329 |
| Park Rental | 75 | 57 | 18 |
| Building Rental | 8,420 | 8,250 | 170 |
| Sign Rental | 2,169 | 2,500 | (331) |
| Total Revenue From Use of Property | 211,993 | 195,807 | 16,186 |
| <u>Other Local Revenue</u> | | | |
| Licenses, Permits and Fines | 8,444 | 8,046 | 398 |
| Garbage Collection | 201,365 | 204,000 | (2,635) |
| Grave Openings | 1,950 | 1,000 | 950 |
| Ordinance Violations | 2,043 | 2,000 | 43 |
| Reimbursements | 21,136 | 25,000 | (3,864) |
| Miscellaneous | 9,439 | 8,300 | 1,139 |
| Total Other Local Revenue | 244,377 | 248,346 | (3,969) |
| TOTAL LOCAL REVENUE | \$ 1,289,111 | \$ 1,271,368 | \$ 17,743 |
| <u>STATE REVENUE</u> | | | |
| State Shared - Sales Tax | 461,242 | 465,846 | (4,604) |
| Liquor Licenses | 6,617 | 6,600 | 17 |
| TOTAL STATE REVENUE | \$ 467,859 | \$ 472,446 | \$ (4,587) |
| TOTAL REVENUES | \$ 1,756,970 | \$ 1,743,814 | \$ 13,156 |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**GENERAL FUND – STATEMENT OF EXPENDITURES
ACTUAL AND BUDGET**

FISCAL YEAR ENDED JUNE 30, 2005

| | <u>ACTUAL</u> | <u>BUDGET</u> | <u>VARIANCE Favorable (Unfavorable)</u> |
|--------------------------------------|------------------|------------------|---|
| <u>LEGISLATIVE</u> | | | |
| <u>City Commission</u> | | | |
| Salaries | \$ 6,160 | \$ - | \$ - |
| Fringe Benefits | 471 | | |
| Fees and Services | 285 | | |
| Training | 205 | | |
| Travel | 1,607 | | |
| | <hr/> | <hr/> | <hr/> |
| TOTAL LEGISLATIVE | \$ 8,728 | \$ 9,007 | \$ 279 |
| <u>GENERAL GOVERNMENT</u> | | | |
| <u>City Manager</u> | | | |
| Salaries | 30,203 | - | - |
| Fringe Benefits | 29,916 | | |
| Supplies | 53 | | |
| Membership Dues | 75 | | |
| Telephone | 480 | | |
| Training | 299 | | |
| Transportation/Travel | 6,358 | | |
| | <hr/> | <hr/> | <hr/> |
| Total City Manager | 67,384 | 68,667 | 1,283 |
| <u>Elections</u> | | | |
| Fees and Services | 3,367 | - | - |
| Supplies | 3,478 | | |
| Printing/Publishing | 163 | | |
| Meals | 314 | | |
| Other | 305 | | |
| | <hr/> | <hr/> | <hr/> |
| Total Elections | 7,627 | 7,680 | 53 |
| <u>City Assessor</u> | | | |
| Contract Services | 20,177 | - | - |
| Supplies | 858 | | |
| | <hr/> | <hr/> | <hr/> |
| Total City Assessor | \$ 21,035 | \$ 21,250 | \$ 215 |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**GENERAL FUND – STATEMENT OF EXPENDITURES
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2005

| | | | VARIANCE Favorable (Unfavorable) |
|---------------------------------------|---------------|---------------|--|
| <u>GENERAL GOVERNMENT</u> (Continued) | <u>ACTUAL</u> | <u>BUDGET</u> | |
| <u>City Clerk</u> | | | |
| Salaries | \$ 15,512 | \$ - | \$ - |
| Fringe Benefits | 15,779 | | |
| Supplies | 1,630 | | |
| Membership Dues | 331 | | |
| Printing/Publishing | 398 | | |
| Training | 1,050 | | |
| Travel | 1,723 | | |
| | <hr/> | <hr/> | <hr/> |
| Total City Clerk | 36,423 | 41,577 | 5,154 |
| <u>City Treasurer</u> | | | |
| Salaries | 17,384 | - | - |
| Fringe Benefits | 17,374 | | |
| Supplies | 7,328 | | |
| Membership Dues | 330 | | |
| Training | 585 | | |
| Travel | 1,128 | | |
| Other | 290 | | |
| | <hr/> | <hr/> | <hr/> |
| Total City Treasurer | 44,419 | 55,115 | 10,696 |
| <u>Building Rental</u> | | | |
| City Hall | 22,812 | - | - |
| DPW Garage | 24,150 | | |
| | <hr/> | <hr/> | <hr/> |
| Total Building Rental | 46,962 | 47,650 | 688 |
| <u>Cemetery</u> | | | |
| Salaries | 3,545 | - | - |
| Fringe Benefits | 2,508 | | |
| Supplies | 10 | | |
| Printing/Publishing | 60 | | |
| Equipment Rental | 570 | | |
| | <hr/> | <hr/> | <hr/> |
| Total Cemetery | \$ 6,693 | \$ 6,798 | \$ 105 |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**GENERAL FUND - STATEMENT OF EXPENDITURES
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2005

| | | | VARIANCE Favorable (Unfavorable) |
|---------------------------------------|----------------------|----------------------|--|
| <u>GENERAL GOVERNMENT</u> (Continued) | <u>ACTUAL</u> | <u>BUDGET</u> | |
| <u>City Hall</u> | | | |
| Salaries | \$ 10,141 | \$ - | \$ - |
| Fringe Benefits | 10,868 | | |
| Supplies | 15,202 | | |
| Contract Services | 2,211 | | |
| Repairs and Maintenance | 7,349 | | |
| Equipment Rental | 489 | | |
| Utilities | 26,012 | | |
| Other | 953 | | |
| | <hr/> | <hr/> | <hr/> |
| Total City Hall | 73,225 | 78,439 | 5,214 |
| <u>CITY PROPERTY</u> | | | |
| <u>Village Chalet</u> | | | |
| Salaries | 2,016 | - | - |
| Fringe Benefits | 2,045 | | |
| Supplies | 257 | | |
| Repairs and Maintenance | 94 | | |
| Utilities | 3,704 | | |
| | <hr/> | <hr/> | <hr/> |
| Total Village Chalet | 8,116 | 8,300 | 184 |
| <u>Other Property</u> | | | |
| Salaries | 11,951 | - | - |
| Fringe Benefits | 10,471 | | |
| Supplies | 480 | | |
| Printing/Publishing | 60 | | |
| Contract Services | 4,851 | | |
| Repairs and Maintenance | 5,500 | | |
| Fees | 51 | | |
| Equipment Rental | 2,340 | | |
| | <hr/> | <hr/> | <hr/> |
| Total Other Property | 35,704 | 35,990 | 286 |
| TOTAL CITY PROPERTY | \$ 43,820 | \$ 44,290 | \$ 470 |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**GENERAL FUND - STATEMENT OF EXPENDITURES
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2005

| | | | VARIANCE Favorable (Unfavorable) |
|--|----------------------|----------------------|--|
| <u>GENERAL GOVERNMENT</u> (Continued) | <u>ACTUAL</u> | <u>BUDGET</u> | |
| <u>Other</u> | | | |
| Board of Review | \$ 721 | \$ - | \$ - |
| Computer Consulting | 18,662 | | |
| Housing Commission | 2,225 | | |
| Auditing and Accounting | 17,904 | | |
| Legal Services | 23,611 | | |
| Insurance | 65,563 | | |
| Zoning Board | 8,092 | | |
| Tax Chargebacks | 7,060 | | |
| | <hr/> | <hr/> | |
| Total Other | 143,838 | 146,475 | 2,637 |
| TOTAL GENERAL GOVERNMENT | \$ 491,426 | \$ 517,941 | \$ 26,515 |
| <u>PUBLIC SAFETY</u> | | | |
| <u>Police Department</u> | | | |
| Salaries | \$ 226,802 | \$ - | \$ - |
| Fringe Benefits | 228,870 | | |
| Printing/Publishing | 282 | | |
| Dues and Subscriptions | 284 | | |
| Materials, Supplies and Uniforms | 6,760 | | |
| Insurance | 6,853 | | |
| Repairs and Maintenance | 6,408 | | |
| Gas and Oil | 5,394 | | |
| Training | 754 | | |
| Utilities | 2,350 | | |
| Training | 51 | | |
| | <hr/> | <hr/> | |
| Total Police Department | 484,808 | 484,440 | (368) |
| <u>Fire Department</u> | | | |
| Contract Services | 19,000 | - | - |
| Fees | 105 | | |
| Printing/Publishing | 30 | | |
| | <hr/> | <hr/> | |
| Total Fire Department | 19,135 | 22,700 | 3,565 |
| TOTAL PUBLIC SAFETY | \$ 503,943 | \$ 507,140 | \$ 3,197 |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**GENERAL FUND - STATEMENT OF EXPENDITURES
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2005

| | | | VARIANCE Favorable (Unfavorable) |
|---|-------------------|-------------------|--|
| <u>DEPARTMENT OF PUBLIC WORKS</u> | <u>ACTUAL</u> | <u>BUDGET</u> | |
| Salaries | \$ 84,461 | \$ - | \$ - |
| Fringe Benefits | 83,412 | | |
| Supplies | 10,592 | | |
| Repairs and Maintenance | 32,266 | | |
| Professional Services | 209 | | |
| Gas and Oil | 31,846 | | |
| Equipment Rental | 8,179 | | |
| Physical Exams | 603 | | |
| Uniforms | 4,050 | | |
| Utilities | 18,380 | | |
| Travel | 22 | | |
| | <hr/> | <hr/> | <hr/> |
| TOTAL DEPARTMENT OF PUBLIC WORKS | \$ 274,020 | \$ 280,133 | \$ 6,113 |
| | | | |
| <u>HIGHWAY AND STREETS</u> | | | |
| <u>Street Improvements</u> | | | |
| Repairs and Improvements | 219 | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total Street Improvements | 219 | 500 | 281 |
| | | | |
| <u>Prisoner Labor</u> | | | |
| Contract Services | 10,873 | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total Prisoner Labor | 10,873 | 12,000 | 1,127 |
| | | | |
| <u>Tree Removal</u> | | | |
| Salaries | 6,491 | - | - |
| Fringe Benefits | 7,644 | | |
| Equipment Rental | 884 | | |
| | <hr/> | <hr/> | <hr/> |
| Total Tree Removal | \$ 15,019 | \$ 15,152 | \$ 133 |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**GENERAL FUND - STATEMENT OF EXPENDITURES
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2005

| | | | VARIANCE Favorable (Unfavorable) |
|---|---------------|---------------|--|
| <u>HIGHWAYS AND STREETS (Continued)</u> | <u>ACTUAL</u> | <u>BUDGET</u> | |
| <u>Sidewalks</u> | | | |
| Salaries | \$ 3,306 | \$ - | \$ - |
| Fringe Benefits | 2,411 | | |
| Supplies | 2,950 | | |
| Equipment Rental | 4,341 | | |
| | <hr/> | <hr/> | <hr/> |
| Total Sidewalks | 13,008 | 14,090 | 1,082 |
| | | | |
| Street Lights | 55,871 | 56,500 | 629 |
| | | | |
| TOTAL HIGHWAYS AND STREETS | \$ 94,990 | \$ 98,242 | \$ 3,252 |
| | | | |
| <u>SANITATION AND WASTE REMOVAL</u> | | | |
| Salaries | 16,836 | - | - |
| Fringe Benefits | 16,696 | | |
| Supplies | 198 | | |
| Printing/Publishing | 148 | | |
| Contract Services | 74,407 | | |
| | <hr/> | <hr/> | <hr/> |
| TOTAL SANITATION AND WASTE REMOVAL | \$ 108,285 | \$ 140,060 | \$ 31,775 |
| | | | |
| <u>COMMUNITY BETTERMENT</u> | | | |
| Membership Dues | 5,023 | - | - |
| Donations | 3,386 | | |
| Community Promotion | 6,407 | | |
| Printing/Publishing | 40 | | |
| | <hr/> | <hr/> | <hr/> |
| TOTAL COMMUNITY BETTERMENT | \$ 14,856 | \$ 15,000 | \$ 144 |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**GENERAL FUND - STATEMENT OF EXPENDITURES
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2005

| | <u>ACTUAL</u> | <u>BUDGET</u> | VARIANCE Favorable (Unfavorable) |
|--|--------------------------------|--------------------------------|--|
| <u>COMMUNITY RECREATION</u> | | | |
| Salaries | \$ 25,182 | \$ - | \$ - |
| Fringe Benefits | 19,738 | | |
| Supplies | 4,989 | | |
| Printing/Publishing | 210 | | |
| Engineering Services | 17,244 | | |
| Repairs and Maintenance | 3,824 | | |
| Gas and Oil | 141 | | |
| Fees | 225 | | |
| Equipment Rental | 847 | | |
| Utilities | 5,961 | | |
| Donations | 1,500 | | |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL COMMUNITY RECREATION | \$ 79,861 | \$ 81,501 | \$ 1,640 |
| CAPITAL OUTLAY | 130,987 | 131,380 | 393 |
| TOTAL EXPENDITURES | \$ 1,707,096 | \$ 1,780,404 | \$ 73,308 |
| <u>OTHER FINANCING USES</u> | | | |
| <u>Transfers To Other Funds :</u> | | | |
| Capital Projects Fund | 5,076 | - | - |
| Debt Service Fund | 88,729 | | |
| Sick Leave Fund | 37,346 | | |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL OTHER FINANCING USES | \$ 131,151 | \$ 94,755 | \$ (36,396) |
| TOTAL EXPENDITURES AND OTHER FINANCING USES | <u>\$ 1,838,247</u> | <u>\$ 1,875,159</u> | <u>\$ 36,912</u> |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**MAJOR STREET FUND
BALANCE SHEET**

JUNE 30, 2005

ASSETS

| | |
|-------------------|-------------------|
| Cash and Deposits | <u>\$ 391,527</u> |
|-------------------|-------------------|

| | |
|---------------------|--------------------------|
| TOTAL ASSETS | <u>\$ 391,527</u> |
|---------------------|--------------------------|

LIABILITIES AND FUND EQUITY

LIABILITIES

| | |
|--------------------|------------|
| Accrued Benefits | 3,182 |
| Due To Other Funds | <u>469</u> |

| | |
|--------------------------|--------------|
| TOTAL LIABILITIES | 3,651 |
|--------------------------|--------------|

FUND EQUITY

| | |
|------------------------|----------------|
| Fund Balance, Reserved | <u>387,876</u> |
|------------------------|----------------|

| | |
|--------------------------|----------------|
| TOTAL FUND EQUITY | 387,876 |
|--------------------------|----------------|

| | |
|--|--------------------------|
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 391,527</u> |
|--|--------------------------|

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET

FISCAL YEAR ENDED JUNE 30, 2005

| <u>REVENUES</u> | <u>ACTUAL</u> | <u>BUDGET</u> | <u>VARIANCE</u> <u>Favorable</u> <u>(Unfavorable)</u> |
|---------------------------------------|--------------------|--------------------|---|
| <u>Local Sources</u> | | | |
| Interest Income | \$ 9,691 | \$ 7,500 | \$ 2,191 |
| Reimbursement - Apple Blossom Trail | 263,570 | 263,569 | 1 |
| Reimbursement - Middle Outlet Project | 84,696 | 84,696 | - |
| Total Local Sources | 357,957 | 355,765 | 2,192 |
| <u>State Sources</u> | | | |
| State Shared Revenue - Act 51 | 328,972 | 324,494 | 4,478 |
| Trunkline Maintenance | 30,257 | 30,000 | 257 |
| Total State Sources | 359,229 | 354,494 | 4,735 |
| TOTAL REVENUES | 717,186 | 710,259 | 6,927 |
| <u>EXPENDITURES</u> | | | |
| <u>Administration</u> | | | |
| Salaries and Wages | 15,814 | 15,820 | 6 |
| Fringe Benefits | 14,477 | 14,464 | (13) |
| Other | 514 | 540 | 26 |
| Total Administration | 30,805 | 30,824 | 19 |
| <u>Construction</u> | | | |
| Salaries and Wages | - | 24,000 | 24,000 |
| Fringe Benefits | - | 24,971 | 24,971 |
| Supplies | - | 2,959 | 2,959 |
| Contract Services | - | - | - |
| Total Construction | \$ - | \$ 51,930 | \$ 51,930 |

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2005

| EXPENDITURES (Continued) | ACTUAL | BUDGET | VARIANCE Favorable (Unfavorable) |
|---|-----------------|------------------|---|
| <u>Routine Maintenance</u> | | | |
| Salaries and Wages | \$ 34,090 | \$ 35,000 | \$ 910 |
| Fringe Benefits | 36,577 | 36,640 | 63 |
| Supplies | 3,016 | 4,620 | 1,604 |
| Repairs and Maintenance | 4,219 | 4,000 | (219) |
| Equipment Rental | 44,515 | 45,000 | 485 |
| Contract Services | 868 | 868 | - |
| Total Routine Maintenance | 123,285 | 126,128 | 2,843 |
| <u>Winter Maintenance</u> | | | |
| Salaries and Wages | 17,453 | 18,000 | 547 |
| Fringe Benefits | 18,724 | 18,858 | 134 |
| Supplies | 9,389 | 9,500 | 111 |
| Equipment Rental | 32,085 | 39,800 | 7,715 |
| Total Winter Maintenance | 77,651 | 86,158 | 8,507 |
| <u>State Trunkline Maintenance</u> | | | |
| <u>General Maintenance</u> | | | |
| Salaries and Wages | 2,826 | 2,897 | 71 |
| Fringe Benefits | 3,031 | 3,025 | (6) |
| Supplies | - | - | - |
| Equipment Rental | 3,651 | 3,631 | (20) |
| Total General Maintenance | 9,508 | 9,553 | 45 |
| <u>Sweeping</u> | | | |
| Salaries and Wages | 1,111 | 3,340 | 2,229 |
| Fringe Benefits | 1,192 | 3,390 | 2,198 |
| Equipment Rental | 4,607 | 4,610 | 3 |
| Total Sweeping | \$ 6,910 | \$ 11,340 | \$ 4,430 |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2005

| <u>EXPENDITURES</u> (Continued) | | | VARIANCE |
|---|----------------------|----------------------|----------------------|
| <u>State Trunkline Maintenance</u> (Continued) | <u>ACTUAL</u> | <u>BUDGET</u> | Favorable |
| Traffic Control | | | (Unfavorable) |
| Utilities | \$ 1,550 | \$ 1,550 | \$ - |
| Repairs and Maintenance | 564 | 600 | 36 |
| Total Traffic Control | 2,114 | 2,150 | 36 |
| Snow Removal | | | |
| Salaries and Wages | 2,745 | 4,000 | 1,255 |
| Fringe Benefits | 2,944 | 3,706 | 762 |
| Supplies | 2,500 | 2,500 | - |
| Equipment Rental | 5,010 | 9,000 | 3,990 |
| Total Snow Removal | 13,199 | 19,206 | 6,007 |
| Total State Trunkline Maintenance | 31,731 | 42,249 | 10,518 |
| Capital Outlay | 375,083 | 375,086 | 3 |
| TOTAL EXPENDITURES | \$ 638,555 | \$ 712,375 | \$ 73,820 |
| Excess of Revenues Over (Under) Expenditures | 78,631 | (2,116) | 80,747 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfer In (Out) | (65,000) | (65,000) | - |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 13,631 | (67,116) | 80,747 |
| FUND BALANCE, JULY 1 | 374,245 | | |
| FUND BALANCE, JUNE 30 | \$ 387,876 | | |

The notes to the financial statements are an integral part of this report.

| |
|--------------------|
| CITY OF IRON RIVER |
|--------------------|

LOCAL STREET FUND
BALANCE SHEET

JUNE 30, 2005

ASSETS

| | |
|-------------------|------------|
| Cash and Deposits | \$ 221,202 |
|-------------------|------------|

| | |
|--------------|-------------------|
| TOTAL ASSETS | <u>\$ 221,202</u> |
|--------------|-------------------|

LIABILITIES AND FUND EQUITY

LIABILITIES

| | |
|------------------|-------|
| Accrued Benefits | 1,619 |
|------------------|-------|

| | |
|--------------------|------------|
| Due To Other Funds | <u>312</u> |
|--------------------|------------|

| | |
|-------------------|----------|
| TOTAL LIABILITIES | \$ 1,931 |
|-------------------|----------|

FUND EQUITY

| | |
|------------------------|----------------|
| Fund Balance, Reserved | <u>219,271</u> |
|------------------------|----------------|

| | |
|-------------------|------------|
| TOTAL FUND EQUITY | \$ 219,271 |
|-------------------|------------|

| | |
|-----------------------------------|-------------------|
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 221,202</u> |
|-----------------------------------|-------------------|

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET

FISCAL YEAR ENDED JUNE 30, 2005

| | <u>ACTUAL</u> | <u>BUDGET</u> | <u>VARIANCE</u> <u>Favorable</u> <u>(Unfavorable)</u> |
|-----------------------------------|-------------------|------------------|---|
| <u>REVENUES</u> | | | |
| <u>Local Sources</u> | | | |
| Interest Income | \$ 2,225 | \$ 1,500 | \$ 725 |
| Miscellaneous | <u>2,300</u> | <u>-</u> | <u>2,300</u> |
| Total Local Sources | 4,525 | 1,500 | 3,025 |
| <u>State Sources</u> | | | |
| State Shared Revenue - Act 51 | <u>96,545</u> | <u>96,908</u> | <u>(363)</u> |
| Total State Sources | 96,545 | 96,908 | (363) |
| TOTAL REVENUES | \$ 101,070 | \$ 98,408 | \$ 2,662 |
| <u>EXPENDITURES</u> | | | |
| <u>Administration</u> | | | |
| Salaries and Wages | 3,799 | 4,900 | 1,101 |
| Fringe Benefits | 4,074 | 4,531 | 457 |
| Other | <u>-</u> | <u>500</u> | <u>500</u> |
| Total Administration | 7,873 | 9,931 | 2,058 |
| <u>Routine Maintenance</u> | | | |
| Salaries and Wages | 18,816 | 20,000 | 1,184 |
| Fringe Benefits | 20,192 | 21,225 | 1,033 |
| Supplies | 5,221 | 6,000 | 779 |
| Contract Services | - | 200 | 200 |
| Repairs and Maintenance | 814 | 600 | (214) |
| Equipment Rental | <u>30,468</u> | <u>30,497</u> | <u>29</u> |
| Total Routine Maintenance | \$ 75,511 | \$ 78,522 | \$ 3,011 |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2005

| <u>EXPENDITURES</u> (Continued) | <u>ACTUAL</u> | <u>BUDGET</u> | <u>VARIANCE</u> Favorable (Unfavorable) |
|--|------------------------------|-----------------------|---|
| <u>Winter Maintenance</u> | | | |
| Salaries and Wages | \$ 18,643 | \$ 18,655 | \$ 12 |
| Fringe Benefits | 19,998 | 20,300 | 302 |
| Supplies | 3,724 | 4,000 | 276 |
| Equipment Rental | <u>29,890</u> | <u>32,000</u> | <u>2,110</u> |
| Total Winter Maintenance | 72,255 | 74,955 | 2,700 |
| TOTAL EXPENDITURES | \$ 155,639 | \$ 163,408 | \$ 7,769 |
| Excess of Revenues Over (Under) Expenditures | (54,569) | (65,000) | 10,431 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfer In (Out) | 65,000 | 65,000 | - |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 10,431 | - | 10,431 |
| FUND BALANCE, JULY 1 | <u>208,840</u> | | |
| FUND BALANCE, JUNE 30 | <u><u>\$ 219,271</u></u> | | |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**BALANCE SHEET
DEBT SERVICE FUND**

JUNE 30, 2005

ASSETS

| | |
|-------------------|-----------------|
| Cash and Deposits | <u>\$ 6,758</u> |
|-------------------|-----------------|

| | |
|---------------------|------------------------|
| TOTAL ASSETS | <u>\$ 6,758</u> |
|---------------------|------------------------|

FUND EQUITY

| | |
|------------------------|-----------------|
| Fund Balance, Reserved | <u>\$ 6,758</u> |
|------------------------|-----------------|

| | |
|--------------------------|------------------------|
| TOTAL FUND EQUITY | <u>\$ 6,758</u> |
|--------------------------|------------------------|

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET**

FISCAL YEAR ENDED JUNE 30, 2005

| | <u>ACTUAL</u> | <u>BUDGET</u> | <u>VARIANCE</u> Favorable (Unfavorable) |
|--|------------------------|------------------|---|
| <u>REVENUES</u> | | | |
| Interest Income | \$ 137 | \$ - | \$ - |
| TOTAL REVENUES | \$ 137 | \$ 1 | \$ 136 |
| <u>EXPENDITURES</u> | | | |
| <u>Debt Service</u> | | | |
| Principal | 73,356 | - | - |
| Interest | 15,373 | | |
| TOTAL EXPENDITURES | \$ 88,729 | \$ 89,680 | \$ 951 |
| Excess of Revenues Over (Under) Expenditures | (88,592) | (89,679) | 1,087 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Operating Transfers In (Out) | 88,729 | 89,679 | (950) |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 137 | - | 137 |
| FUND BALANCE, JULY 1 | 6,621 | | |
| FUND BALANCE, JUNE 30 | <u><u>\$ 6,758</u></u> | | |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**CITY OF IRON RIVER BUILDING AUTHORITY (DEBT SERVICE FUND TYPE)
BALANCE SHEET**

JUNE 30, 2005

ASSETS

Cash and Deposits

\$ 3,761

TOTAL ASSETS

\$ 3,761

FUND EQUITY

Fund Balance, Reserved

\$ 3,761

TOTAL FUND EQUITY

\$ 3,761

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**CITY OF IRON RIVER BUILDING AUTHORITY (DEBT SERVICE FUND TYPE)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET**

FISCAL YEAR ENDED JUNE 30, 2005

| | <u>ACTUAL</u> | <u>BUDGET</u> | VARIANCE Favorable (Unfavorable) |
|--|------------------|------------------|--|
| <u>REVENUES</u> | | | |
| Rental Income - City Hall | \$ 22,812 | \$ - | \$ - |
| Rental Income - Public Works Building | 24,150 | | |
| Interest Income | 38 | | |
| | <hr/> | <hr/> | <hr/> |
| TOTAL REVENUES | \$ 47,000 | \$ 48,150 | \$ (1,150) |
| <u>EXPENDITURES</u> | | | |
| <u>Debt Service - City Hall</u> | | | |
| Principal | 10,000 | - | - |
| Interest | 12,812 | | |
| | <hr/> | <hr/> | <hr/> |
| Total Debt Service - City Hall | 22,812 | 24,000 | 1,188 |
| <u>Debt Service - Public Works Building</u> | | | |
| Principal | 20,000 | - | - |
| Interest | 4,150 | | |
| | <hr/> | <hr/> | <hr/> |
| Total Debt Service - Public Works Building | 24,150 | 24,150 | - |
| TOTAL EXPENDITURES | \$ 46,962 | \$ 48,150 | \$ 1,188 |
| Excess of Revenues Over (Under) Expenditures | 38 | - | 38 |
| FUND BALANCE, JULY 1 | 3,723 | | |
| | <hr/> | | |
| FUND BALANCE, JUNE 30 | \$ 3,761 | | |
| | <hr/> <hr/> | | |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**CAPITAL PROJECTS - BARRIS PROPERTY/SKATEBOARD PARK
BALANCE SHEET**

JUNE 30, 2005

ASSETS

| | |
|-------------------|-----------------|
| Cash and Deposits | <u>\$ 4,449</u> |
|-------------------|-----------------|

| | |
|---------------------|------------------------|
| TOTAL ASSETS | <u>\$ 4,449</u> |
|---------------------|------------------------|

FUND EQUITY

| | |
|------------------------|-----------------|
| Fund Balance, Reserved | <u>\$ 4,449</u> |
|------------------------|-----------------|

| | |
|--------------------------|------------------------|
| TOTAL FUND EQUITY | <u>\$ 4,449</u> |
|--------------------------|------------------------|

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

CAPITAL PROJECTS - BARRIS PROPERTY/SKATEBOARD PARK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET

FISCAL YEAR ENDED JUNE 30, 2005

| | <u>ACTUAL</u> | <u>BUDGET</u> | VARIANCE Favorable (Unfavorable) |
|---|------------------|------------------|---|
| <u>REVENUES</u> | | | |
| Donations | \$ 8,755 | \$ - | \$ - |
| Interest Income | 166 | | |
| TOTAL REVENUES | \$ 8,921 | \$ 8,755 | \$ 166 |
| <u>EXPENDITURES</u> | | | |
| Professional Services | 6,458 | - | - |
| Capital Outlay | 46,989 | | |
| TOTAL EXPENDITURES | \$ 53,447 | \$ 53,917 | \$ 470 |
| Excess of Revenues Over (Under) Expenditures | (44,526) | (45,162) | 636 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfer In (Out) | 5,076 | 5,076 | - |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (39,450) | (40,086) | 636 |
| FUND BALANCE, JULY 1 | 43,899 | | |
| FUND BALANCE, JUNE 30 | \$ 4,449 | | |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**WATER FUND
BALANCE SHEET**

JUNE 30, 2005

| | <u>OPERATION</u> | <u>CONSTRUCTION</u> | <u>TOTAL</u> |
|---|----------------------------|----------------------------|-----------------------------|
| <u>ASSETS</u> | | | |
| Cash and Deposits: | | | |
| Restricted | \$ 351,951 | \$ 63 | \$ 352,014 |
| Unrestricted | 140,321 | - | 140,321 |
| Accounts Receivable | 85,500 | 88,600 | 174,100 |
| Due From Other Funds | 113,000 | 40,331 | 153,331 |
| Property, Plant and Equipment | 5,245,166 | 7,410,946 | 12,656,112 |
| Accumulated Depreciation | (1,596,405) | - | (1,596,405) |
| TOTAL ASSETS | <u>\$ 4,339,533</u> | <u>\$ 7,539,940</u> | <u>\$ 11,879,473</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | |
| <u>LIABILITIES</u> | | | |
| Accrued Benefits | 6,158 | - | 6,158 |
| Accounts Payable | - | 106,801 | 106,801 |
| Due to Other Funds | 146,675 | - | 146,675 |
| Bonds Payable | 1,801,000 | 5,000,000 | 6,801,000 |
| TOTAL LIABILITIES | <u>\$ 1,953,833</u> | <u>\$ 5,106,801</u> | <u>\$ 7,060,634</u> |
| <u>FUND EQUITY</u> | | | |
| Retained Earnings | 2,385,700 | 2,433,139 | 4,818,839 |
| TOTAL FUND EQUITY | <u>2,385,700</u> | <u>2,433,139</u> | <u>4,818,839</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 4,339,533</u> | <u>\$ 7,539,940</u> | <u>\$ 11,879,473</u> |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

WATER FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

FISCAL YEAR ENDED JUNE 30, 2005

| | <u>OPERATION</u> | <u>CONSTRUCTION</u> | <u>TOTAL</u> |
|---|-------------------|---------------------|-------------------|
| <u>OPERATING REVENUES</u> | | | |
| Water Charges | \$ 733,039 | \$ - | \$ 733,039 |
| Penalties | 23,329 | - | 23,329 |
| Cost Reimbursement | 25,770 | - | 25,770 |
| Waterline Services | 5,464 | - | 5,464 |
| Equipment Rental | 48,761 | - | 48,761 |
| Other Income | 9,225 | - | 9,225 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL OPERATING REVENUES | \$ 845,588 | \$ - | \$ 845,588 |
| <u>OPERATING EXPENSES</u> | | | |
| <u>Office and Administration</u> | | | |
| Salaries and Wages | 33,106 | - | 33,106 |
| Fringe Benefits | 35,519 | - | 35,519 |
| Supplies | 2,117 | - | 2,117 |
| Printing/Publishing | 550 | - | 550 |
| Memberships and Dues | 2,508 | - | 2,508 |
| Professional Services | 1,731 | - | 1,731 |
| Engineering Services | 3,506 | - | 3,506 |
| Insurance | 5,219 | - | 5,219 |
| Other | 1 | - | 1 |
| | <hr/> | <hr/> | <hr/> |
| Total Office and Administration | 84,257 | - | 84,257 |
| <u>Public Works</u> | | | |
| Supplies | 482 | - | 482 |
| Utilities | 3,894 | - | 3,894 |
| | <hr/> | <hr/> | <hr/> |
| Total Public Works | 4,376 | - | 4,376 |
| <u>Pump Station</u> | | | |
| Salaries and Wages | 9,491 | - | 9,491 |
| Fringe Benefits | 10,181 | - | 10,181 |
| Supplies | 340 | - | 340 |
| Utilities | 24,230 | - | 24,230 |
| Maintenance and Repair | 1,446 | - | 1,446 |
| Equipment Rental | 3,926 | - | 3,926 |
| | <hr/> | <hr/> | <hr/> |
| Total Pump Station | \$ 49,614 | \$ - | \$ 49,614 |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**WATER FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2005

| <u>OPERATING EXPENSES</u> (Continued) | <u>OPERATION</u> | <u>CONSTRUCTION</u> | <u>TOTAL</u> |
|--|-------------------------|----------------------------|---------------------|
| <u>Water Line</u> | | | |
| Salaries and Wages | \$ 38,405 | \$ - | \$ 38,405 |
| Fringe Benefits | 41,197 | - | 41,197 |
| Supplies | 8,564 | - | 8,564 |
| Memberships and Dues | 475 | - | 475 |
| Printing/Publishing | 357 | - | 357 |
| Contracted Services | 1,865 | - | 1,865 |
| Engineering Services | 2,359 | - | 2,359 |
| Water Purchase | 19,553 | - | 19,553 |
| Equipment Rental | 17,074 | - | 17,074 |
| Other | 35 | - | 35 |
| | <hr/> | <hr/> | <hr/> |
| Total Water Line | 129,884 | - | 129,884 |
| <u>Water Line Construction</u> | | | |
| Salaries and Wages | 5,311 | - | 5,311 |
| Fringe Benefits | 5,697 | - | 5,697 |
| Supplies | 792 | - | 792 |
| Contracted Services | 1,935 | - | 1,935 |
| Equipment Rental | 2,900 | - | 2,900 |
| | <hr/> | <hr/> | <hr/> |
| Total Water Line Construction | 16,635 | - | 16,635 |
| <u>Water Tank</u> | | | |
| Salaries and Wages | 1,047 | - | 1,047 |
| Fringe Benefits | 1,123 | - | 1,123 |
| Supplies | 136 | - | 136 |
| Memberships and Dues | 480 | - | 480 |
| Utilities | 13,253 | - | 13,253 |
| Contracted Services | 621 | - | 621 |
| Maintenance and Repair | 472 | - | 472 |
| Equipment Rental | 916 | - | 916 |
| Other | 283 | - | 283 |
| | <hr/> | <hr/> | <hr/> |
| Total Water Tank | \$ 18,331 | \$ - | \$ 18,331 |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**WATER FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2005

| | <u>OPERATION</u> | <u>CONSTRUCTION</u> | <u>TOTAL</u> |
|--|-----------------------|---------------------|-----------------------|
| <u>OPERATING EXPENSES</u> (Continued) | | | |
| <u>Water Hydrants</u> | | | |
| Salaries and Wages | \$ 6,103 | \$ - | \$ 6,103 |
| Fringe Benefits | 6,616 | - | 6,616 |
| Supplies | 60 | - | 60 |
| Equipment Rental | 2,359 | - | 2,359 |
| Total Water Hydrants | 15,138 | - | 15,138 |
| <u>Water Meters</u> | | | |
| Salaries and Wages | 34,463 | - | 34,463 |
| Fringe Benefits | 36,465 | - | 36,465 |
| Supplies | 22,545 | - | 22,545 |
| Equipment Rental | 13,879 | - | 13,879 |
| Maintenance and Repair | 714 | - | 714 |
| Total Water Meters | 108,066 | - | 108,066 |
| <u>Fluoridation</u> | | | |
| Salaries and Wages | 30 | - | 30 |
| Fringe Benefits | 32 | - | 32 |
| Supplies | 1,045 | - | 1,045 |
| Total Fluoridation | 1,107 | - | 1,107 |
| <u>Other Expenses</u> | | | |
| Depreciation | 248,377 | - | 248,377 |
| Total Other Expenses | 248,377 | - | 248,377 |
| TOTAL OPERATING EXPENSES | \$ 675,785 | \$ - | \$ 675,785 |
| Operating Profit (Loss) | \$ 169,803 | \$ - | \$ 169,803 |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**WATER FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2005

| | <u>OPERATION</u> | <u>CONSTRUCTION</u> | <u>TOTAL</u> |
|--|--------------------------------|--------------------------------|--------------------------------|
| <u>NON-OPERATING INCOME</u> | | | |
| Interest Income | \$ 6,649 | \$ - | \$ 6,649 |
| Federal Grant - Waterline Construction | - | 717,900 | 717,900 |
| Wellhead Protection Grant | 7,625 | - | 7,625 |
| Operating Transfer In | - | 18,139 | 18,139 |
| <u>NON-OPERATING EXPENSE</u> | | | |
| Interest Expense | (250,200) | - | (250,200) |
| Operating Transfer Out | (18,139) | - | (18,139) |
| Net Income (Loss) | (84,262) | 736,039 | 651,777 |
| RETAINED EARNINGS, JULY 1 | <u>2,469,962</u> | <u>1,697,100</u> | <u>4,167,062</u> |
| RETAINED EARNINGS, JUNE 30 | <u><u>\$ 2,385,700</u></u> | <u><u>\$ 2,433,139</u></u> | <u><u>\$ 4,818,839</u></u> |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**WATER FUND
STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2005

OPERATING ACTIVITIES

| | |
|--|------------|
| Net cash received from fees and services | \$ 650,200 |
| Other operating revenues | 112,549 |
| Cash payments to employees for services | (264,419) |
| Cash payments to goods and services | (229,384) |
| Other operating expenses | - |

| | |
|---|-------------------|
| NET CASH FROM OPERATING ACTIVITIES | \$ 268,946 |
|---|-------------------|

NON CAPITAL AND FINANCING ACTIVITIES

| | |
|---|----------|
| Increase (decrease) in due to other funds | 60,296 |
| (Increase) decrease in due from other funds | (18,138) |
| Net operating transfers in (out) | - |

| | |
|---|---------------|
| NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES | 42,158 |
|---|---------------|

CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|--|-----------|
| Acquisition and construction of capital assets | (570,201) |
| Principal payment on long-term bonds | (94,000) |
| Interest paid on long-term bonds | (250,200) |
| Interest and tax expense | - |
| Proceeds from borrowings | - |
| Cost of Issuance - Bonds | - |
| Contributed capital grants | 717,900 |
| Other Grants | 7,625 |

| | |
|--|------------------|
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | (188,876) |
|--|------------------|

INVESTING ACTIVITIES

| | |
|-----------------|-------|
| Interest Income | 6,649 |
|-----------------|-------|

| | |
|---|--------------|
| NET CASH FROM INVESTING ACTIVITIES | 6,649 |
|---|--------------|

| | |
|---|----------------|
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 128,877 |
|---|----------------|

| | |
|--|---------|
| Cash and Cash Equivalents, Beginning of Year | 363,458 |
|--|---------|

| | |
|---|-------------------|
| Cash and Cash Equivalents, End of Year | \$ 492,335 |
|---|-------------------|

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**WATER FUND
STATEMENT OF CASH FLOWS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|--------------------------|
| Operating Income | \$ 169,803 |
| Adjustment to reconcile operating income to net cash provided by operating activities : | |
| . Depreciation | 248,377 |
| . Provision for uncollectible accounts | - |
| . Changes in assets and liabilities : | |
| (Increase) Decrease in accounts receivable | (82,839) |
| Increase (Decrease) in accounts payable | (66,762) |
| Increase (Decrease) in accrued benefits | 367 |
| Increase (Decrease) in customer deposits | - |
| NET CASH FROM OPERATING ACTIVITIES | <u>\$ 268,946</u> |

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

SEWER FUND BALANCE SHEET

JUNE 30, 2005

ASSETS

Cash and Deposits:

| | |
|------------|------------|
| Restricted | \$ 447,200 |
|------------|------------|

| | |
|--------------|--------|
| Unrestricted | 62,808 |
|--------------|--------|

| | |
|---------------------|--------|
| Accounts Receivable | 92,240 |
|---------------------|--------|

| | |
|-------------------------------|-----------|
| Property, Plant and Equipment | 2,666,718 |
|-------------------------------|-----------|

| | |
|--------------------------|-------------|
| Accumulated Depreciation | (1,011,411) |
|--------------------------|-------------|

| | |
|---------------------|---------------------|
| TOTAL ASSETS | \$ 2,257,555 |
|---------------------|---------------------|

LIABILITIES AND FUND EQUITY

LIABILITIES

| | |
|------------------|-----|
| Accounts Payable | 930 |
|------------------|-----|

| | |
|------------------|-------|
| Accrued Benefits | 2,407 |
|------------------|-------|

| | |
|--------------------|---------|
| Due to Other Funds | 136,689 |
|--------------------|---------|

| | |
|--------------------------|-------------------|
| TOTAL LIABILITIES | \$ 140,026 |
|--------------------------|-------------------|

FUND EQUITY

| | |
|--------------------------------------|---------|
| Retained Earnings - Reserved for DEQ | 407,670 |
|--------------------------------------|---------|

| | |
|---|--------|
| Retained Earnings - Reserved for MH Project | 39,530 |
|---|--------|

| | |
|--|-----------|
| Retained Earnings - Reserved for Sewer Utility | 1,670,329 |
|--|-----------|

| | |
|--------------------------|------------------|
| TOTAL FUND EQUITY | 2,117,529 |
|--------------------------|------------------|

| | |
|--|---------------------|
| TOTAL LIABILITIES AND FUND EQUITY | \$ 2,257,555 |
|--|---------------------|

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**SEWER FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**

FISCAL YEAR ENDED JUNE 30, 2005

OPERATING REVENUES

| | |
|---------------------------------|-------------------|
| Sewer Charges | \$ 768,633 |
| Penalties | 25,360 |
| Miscellaneous | <u>8,561</u> |
| TOTAL OPERATING REVENUES | \$ 802,554 |

OPERATING EXPENSES

Office and Administration

| | |
|--|---------------|
| Salaries and Wages | 29,743 |
| Fringe Benefits | 31,916 |
| Supplies | 1,906 |
| Insurance | 2,381 |
| Printing/Publishing | 158 |
| Professional Services | 1,476 |
| Contract Services | 700 |
| Engineering Services | 10,563 |
| Rental Expense | <u>2,400</u> |
| Total Office and Administration | 81,243 |

Sewer Lines

| | |
|--------------------------|------------------|
| Salaries and Wages | 16,801 |
| Fringe Benefits | 18,023 |
| Supplies | 8,347 |
| Repairs and Maintenance | 12,285 |
| Professional Services | 1,953 |
| Engineering Services | 1,500 |
| Rental Expense | <u>20,330</u> |
| Total Sewer Lines | \$ 79,239 |

The notes to the financial statements are an integral part of this report.

| |
|--------------------|
| CITY OF IRON RIVER |
|--------------------|

SEWER FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
(CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2005

OPERATING EXPENSES (Continued)

Lift Station

| | |
|-------------------------|--------------|
| Salaries and Wages | \$ 7,123 |
| Fringe Benefits | 7,640 |
| Supplies | 15 |
| Repairs and Maintenance | 4,346 |
| Utilities | 2,018 |
| Rental Expense | <u>5,217</u> |

| | |
|---------------------------|---------------|
| Total Lift Station | 26,359 |
|---------------------------|---------------|

Sewer Treatment

| | |
|-------------------------------------|----------------|
| Contract Services - O & M | 247,475 |
| Contract Services - Debt Retirement | <u>129,145</u> |

| | |
|------------------------------|----------------|
| Total Sewer Treatment | 376,620 |
|------------------------------|----------------|

Other Expenses

| | |
|--------------|---------------|
| Depreciation | <u>40,996</u> |
|--------------|---------------|

| | |
|-----------------------------|---------------|
| Total Other Expenses | 40,996 |
|-----------------------------|---------------|

| | |
|---------------------------------|-------------------|
| TOTAL OPERATING EXPENSES | \$ 604,457 |
|---------------------------------|-------------------|

| | |
|-------------------------|---------|
| Operating Profit (Loss) | 198,097 |
|-------------------------|---------|

NON-OPERATING INCOME

| | |
|-----------------|-------|
| Interest Income | 6,843 |
|-----------------|-------|

| | |
|-------------------|---------|
| Net Income (Loss) | 204,940 |
|-------------------|---------|

| | |
|---------------------------|------------------|
| RETAINED EARNINGS, JULY 1 | <u>1,912,589</u> |
|---------------------------|------------------|

| | |
|-----------------------------------|----------------------------|
| RETAINED EARNINGS, JUNE 30 | <u>\$ 2,117,529</u> |
|-----------------------------------|----------------------------|

The notes to the financial statements are an integral part of this report.

| |
|--------------------|
| CITY OF IRON RIVER |
|--------------------|

**SEWER FUND
STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

| | |
|--|------------|
| Net cash received from fees and services | \$ 792,631 |
| Other operating revenues | 8,561 |
| Cash payments to employees for services | (111,092) |
| Cash payments to goods and services | (454,285) |
| Other operating expenses | - |

| | |
|---|-------------------|
| NET CASH FROM OPERATING ACTIVITIES | \$ 235,815 |
|---|-------------------|

NON CAPITAL AND FINANCING ACTIVITIES

| | |
|---|--------|
| Increase (decrease) in due to other funds | 10,970 |
| (Increase) decrease in due from other funds | - |
| Net operating transfers in (out) | - |

| | |
|---|---------------|
| NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES | 10,970 |
|---|---------------|

CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|--|---|
| Acquisition and construction of capital assets | - |
| Principal payment on long-term bonds | - |
| Interest paid on long-term bonds | - |
| Interest and tax expense | - |
| Proceeds from borrowings | - |
| Cost of Issuance - Bonds | - |
| Contributed capital grants | - |
| Other Grants | - |

| | |
|--|----------|
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | - |
|--|----------|

INVESTING ACTIVITIES

| | |
|-----------------|-------|
| Interest Income | 6,843 |
|-----------------|-------|

| | |
|---|--------------|
| NET CASH FROM INVESTING ACTIVITIES | 6,843 |
|---|--------------|

| | |
|---|----------------|
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 253,628 |
|---|----------------|

| | |
|--|---------|
| Cash and Cash Equivalents, Beginning of Year | 256,380 |
|--|---------|

| | |
|---|-------------------|
| Cash and Cash Equivalents, End of Year | \$ 510,008 |
|---|-------------------|

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**SEWER FUND
STATEMENT OF CASH FLOWS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|---------------------------------|
| Operating Income | \$ 198,097 |
| Adjustment to reconcile operating income to net cash provided by operating activities : | |
| . Depreciation | 40,996 |
| . Provision for uncollectible accounts | - |
| . Changes in assets and liabilities : | |
| (Increase) Decrease in accounts receivable | (1,362) |
| Increase (Decrease) in accounts payable | (2,070) |
| Increase (Decrease) in accrued benefits | 154 |
| Increase (Decrease) in customer deposits | - |
| | <hr/> |
| NET CASH FROM OPERATING ACTIVITIES | <u><u>\$ 235,815</u></u> |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**RV PARK FUND
BALANCE SHEET**

JUNE 30, 2005

ASSETS

Cash and Deposits:

| | |
|-------------------------------|--------------------------|
| Restricted | \$ - |
| Unrestricted | 335 |
| Property, Plant and Equipment | 201,372 |
| Accumulated Depreciation | <u>(87,450)</u> |
| TOTAL ASSETS | <u>\$ 114,257</u> |

LIABILITIES AND FUND EQUITY

LIABILITIES

| | |
|--------------------------|------------|
| Accrued Benefits | <u>300</u> |
| TOTAL LIABILITIES | 300 |

FUND EQUITY

| | |
|--------------------------|----------------|
| Retained Earnings | <u>113,957</u> |
| TOTAL FUND EQUITY | 113,957 |

| | |
|--|--------------------------|
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 114,257</u> |
|--|--------------------------|

The notes to the financial statements are an integral part of this report.

| |
|--------------------|
| CITY OF IRON RIVER |
|--------------------|

RV PARK FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

FISCAL YEAR ENDED JUNE 30, 2005

OPERATING REVENUES

| | |
|---------------------------------|------------------|
| Camper Fees | \$ 26,806 |
| Rental Income | 2,750 |
| Miscellaneous | 182 |
| | <hr/> |
| TOTAL OPERATING REVENUES | \$ 29,738 |

OPERATING EXPENSES

General and Administration

| | |
|------------------------|-------|
| Supplies | 2,283 |
| Contract Services | 4,893 |
| Utilities | 8,975 |
| Insurance | 202 |
| Maintenance and Repair | 732 |
| Printing/Publishing | 441 |
| Fees and Services | 5,567 |
| Other | 100 |
| | <hr/> |

| | |
|---|---------------|
| Total General and Administration | 23,193 |
|---|---------------|

Routine Maintenance

| | |
|--------------------|-------|
| Salaries and Wages | 4,549 |
| Fringe Benefits | 4,805 |
| Equipment Rental | 2,678 |
| | <hr/> |

| | |
|----------------------------------|---------------|
| Total Routine Maintenance | 12,032 |
|----------------------------------|---------------|

Winter Maintenance

| | |
|--------------------|-------|
| Salaries and Wages | 524 |
| Fringe Benefits | 637 |
| Equipment Rental | 393 |
| | <hr/> |

| | |
|---------------------------------|-----------------|
| Total Winter Maintenance | \$ 1,554 |
|---------------------------------|-----------------|

The notes to the financial reports are an integral part of this report.

| |
|--------------------|
| CITY OF IRON RIVER |
|--------------------|

RV PARK FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
(CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2005

| | |
|--|---------------------------------|
| <u>Other Expenses</u> | |
| Depreciation | <u>\$ 7,139</u> |
| Total Other Expenses | 7,139 |
| TOTAL OPERATING EXPENSES | <u>\$ 43,918</u> |
| OPERATING INCOME (LOSS) | (14,180) |
| <u>NON-OPERATING INCOME</u> | |
| Interest Income | <u>92</u> |
| NET INCOME (LOSS) | (14,088) |
| RETAINED EARNINGS, JULY 1 | <u>128,045</u> |
| RETAINED EARNINGS, JUNE 30 | <u><u>\$ 113,957</u></u> |

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**RV PARK FUND
STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

| | |
|--|-----------|
| Net cash received from fees and services | \$ 26,806 |
| Other operating revenues | 2,932 |
| Cash payments to employees for services | (10,500) |
| Cash payments to goods and services | (26,264) |
| Other operating expenses | - |

| | |
|---|-------------------|
| NET CASH FROM OPERATING ACTIVITIES | \$ (7,026) |
|---|-------------------|

NON CAPITAL AND FINANCING ACTIVITIES

| | |
|---|---|
| Increase (decrease) in due to other funds | - |
| (Increase) decrease in due from other funds | - |
| Net operating transfers in (out) | - |

| | |
|---|----------|
| NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES | - |
|---|----------|

CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|--|---|
| Acquisition and construction of capital assets | - |
| Principal payment on long-term bonds | - |
| Interest paid on long-term bonds | - |
| Interest and tax expense | - |
| Proceeds from borrowings | - |
| Cost of Issuance - Bonds | - |
| Contributed capital grants | - |
| Other Grants | - |

| | |
|--|----------|
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | - |
|--|----------|

INVESTING ACTIVITIES

| | |
|-----------------|----|
| Interest Income | 92 |
|-----------------|----|

| | |
|---|-----------|
| NET CASH FROM INVESTING ACTIVITIES | 92 |
|---|-----------|

| | |
|---|----------------|
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (6,934) |
|---|----------------|

| | |
|--|-------|
| Cash and Cash Equivalents, Beginning of Year | 7,269 |
|--|-------|

| | |
|---|---------------|
| Cash and Cash Equivalents, End of Year | \$ 335 |
|---|---------------|

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**RV PARK FUND
STATEMENT OF CASH FLOWS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|---------------------------------|
| Operating Income | \$ (14,180) |
| Adjustment to reconcile operating income to net cash provided by operating activities : | |
| . Depreciation | 7,139 |
| . Provision for uncollectible accounts | - |
| . Changes in assets and liabilities : | |
| (Increase) Decrease in accounts receivable | - |
| Increase (Decrease) in accounts payable | - |
| Increase (Decrease) in accrued benefits | 15 |
| Increase (Decrease) in customer deposits | - |
| | <hr/> |
| NET CASH FROM OPERATING ACTIVITIES | <u><u>\$ (7,026)</u></u> |

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT**

JUNE 30, 2005

ASSETS

| | |
|---------------------|-------------------------|
| Cash and Deposits | \$ 13,449 |
| Taxes Receivable | <u>1,224</u> |
| TOTAL ASSETS | <u>\$ 14,673</u> |

LIABILITIES AND FUND EQUITY

LIABILITIES

| | |
|--------------------------|--------------|
| Accounts Payable | <u>1,259</u> |
| TOTAL LIABILITIES | 1,259 |

FUND EQUITY

| | |
|--|-------------------------|
| Fund Balance, Unreserved | <u>13,414</u> |
| TOTAL FUND EQUITY | 13,414 |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 14,673</u> |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET**

DISCRETELY PRESENTED COMPONENT UNIT

FISCAL YEAR ENDED JUNE 30, 2005

| | <u>ACTUAL</u> | <u>BUDGET</u> | <u>VARIANCE Favorable (Unfavorable)</u> |
|-------------------------------------|-------------------------|-------------------|---|
| <u>REVENUES</u> | | | |
| Property Tax | \$ 18,696 | \$ - | \$ - |
| Other Taxes | 19 | | |
| Interest Income | <u>272</u> | <u> </u> | <u> </u> |
| TOTAL REVENUES | \$ 18,987 | \$ 18,515 | \$ 472 |
| <u>EXPENDITURES</u> | | | |
| Community Promotion | 3,926 | - | - |
| Professional Services | 8,038 | | |
| Supplies | 387 | | |
| Printing/Publishing | 1,062 | | |
| Repairs and Maintenance | 1,120 | | |
| Fees and Services | <u>40</u> | <u> </u> | <u> </u> |
| TOTAL EXPENDITURES | \$ 14,573 | \$ 18,515 | \$ 3,942 |
| Excess of Revenues Over (Under) | | | |
| Expenditures | 4,414 | - | 4,414 |
| FUND BALANCE, JULY 1 | <u>9,000</u> | | |
| FUND BALANCE, JUNE 30 | <u>\$ 13,414</u> | | |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**TAX INCREMENT FINANCING AUTHORITY
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT**

JUNE 30, 2005

ASSETS

| | |
|-------------------------------------|--------------------------|
| Cash and Deposits | \$ 96,054 |
| Investment - Central School Project | <u>13,109</u> |
| TOTAL ASSETS | <u>\$ 109,163</u> |

LIABILITIES AND FUND EQUITY

LIABILITIES

| | |
|--------------------------|------------|
| Accrued Benefits | <u>603</u> |
| TOTAL LIABILITIES | 603 |

FUND EQUITY

| | |
|--|--------------------------|
| Fund Balance, Unreserved | <u>108,560</u> |
| TOTAL FUND EQUITY | 108,560 |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 109,163</u> |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**TAX INCREMENT FINANCING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET**

DISCRETELY PRESENTED COMPONENT UNIT

FISCAL YEAR ENDED JUNE 30, 2005

| | <u>ACTUAL</u> | <u>BUDGET</u> | <u>VARIANCE Favorable (Unfavorable)</u> |
|--------------------------------------|--------------------------|-------------------|---|
| <u>REVENUES</u> | | | |
| Property Tax | \$ 116,679 | \$ - | \$ - |
| Interest Income | 2,033 | | |
| TOTAL REVENUES | \$ 118,712 | \$ 118,750 | \$ 38 |
| <u>EXPENDITURES</u> | | | |
| Salaries and Wages | 10,067 | - | - |
| Fringe Benefits | 10,800 | | |
| Rebates | 18,407 | | |
| Contract Services | 825 | | |
| Fees and Services | 9,085 | | |
| Equipment Rental | 13,190 | | |
| Community Promotion | 2,000 | | |
| Printing/Publishing | 25 | | |
| Utilities | 5,007 | | |
| Utility Installation Support - Depot | 9,072 | | |
| TOTAL EXPENDITURES | \$ 78,478 | \$ 118,750 | \$ 40,272 |
| Excess of Revenues Over (Under) | | | |
| Expenditures | 40,234 | - | 40,234 |
| FUND BALANCE, JULY 1 | 68,326 | | |
| FUND BALANCE, JUNE 30 | <u><u>\$ 108,560</u></u> | | |

The notes to the financial statements are an integral part of this report.

| |
|--------------------|
| CITY OF IRON RIVER |
|--------------------|

COMMUNITY PRIDE
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT

JUNE 30, 2005

ASSETS

| | |
|---------------------|---------------------|
| Cash and Deposits | \$ 95 |
| TOTAL ASSETS | <u>\$ 95</u> |

FUND EQUITY

| | |
|--------------------------|---------------------|
| Fund Balance, Unreserved | \$ 95 |
| TOTAL FUND EQUITY | <u>\$ 95</u> |

The notes to the financial statements are an integral part of this report.

| |
|---------------------------|
| CITY OF IRON RIVER |
|---------------------------|

**COMMUNITY PRIDE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
DISCRETELY PRESENTED COMPONENT UNIT**

FISCAL YEAR ENDED JUNE 30, 2005

| | <u>ACTUAL</u> | <u>BUDGET</u> | VARIANCE Favorable (Unfavorable) |
|---|-----------------|---------------|--|
| <u>REVENUES</u> | | | |
| Donations | \$ 1,559 | \$ - | \$ - |
| TOTAL REVENUES | \$ 1,559 | \$ - | \$ 1,559 |
| <u>EXPENDITURES</u> | | | |
| Supplies | 1,464 | - | - |
| TOTAL EXPENDITURES | \$ 1,464 | \$ - | \$ (1,464) |
| Excess of Revenues Over (Under) Expenditures | 95 | - | 95 |
| FUND BALANCE, JULY 1 | - | | |
| FUND BALANCE, JUNE 30 | \$ 95 | | |

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Members of the City Council
City of Iron River
106 West Genesee Street
Iron River, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the **City of Iron River** as of and for the year ended June 30, 2005, which collectively comprise the **City of Iron River's** basic financial statements, and have issued our report thereon dated September 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **City of Iron River's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

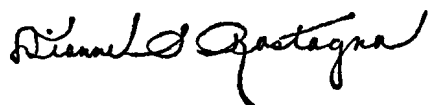
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **City of Iron River's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the **City of Iron River**, Iron River, Michigan in a separate letter dated September 15, 2005.

This report is intended solely for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with the first name "Dianne" and last name "Rostagno" clearly distinguishable.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

September 15, 2005

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

DS Rostagno, CPA, P.C.

101 West Maple Street, Iron River, MI 49935

Tel (906) 265-1040 Fax (906) 265-1042

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and Members of the City Council

City of Iron River

106 West Genesee Street

Iron River, Michigan 49935

Compliance

We have audited the compliance of the **City of Iron River** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The **City of Iron River's** major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs, and the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the **City of Iron River's** management. Our responsibility is to express an opinion on the **City of Iron River's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the **City of Iron River's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the **City of Iron River's** compliance with those requirements.

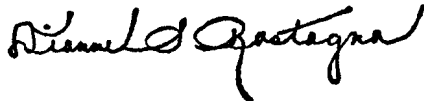
In our opinion, the **City of Iron River** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the **City of Iron River** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the **City of Iron River's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board, administration, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.



Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

September 15, 2005

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SUPPORTING SCHEDULES

CITY OF IRON RIVER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED JUNE 30, 2005

| FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE GRANT NUMBER | FEDERAL GRANT CFDA AWARD NUMBER | APPROVED ACCRUED (DEFERRED) REVENUE 7/1/04 | (MEMORANDUM ONLY) PRIOR YEAR EXPENDITURES | CURRENT YEAR CASH RECEIPTS | ACCRUED (DEFERRED) REVENUE 6/30/05 | ADJUSTMENTS |
|--|---------------------------------------|---|--|----------------------------------|---|--------------|
| <u>US Department of</u> | | | | | | |
| <u>Agriculture Other</u> | | | | | | |
| <u>Federal Assistance</u> | | | | | | |
| 2001 Water Supply | | | | | | |
| System Improvements - | | | | | | |
| (Grant) | * 10 | \$ 2415000 | \$ 165838 | \$ 1862938 | \$ 570201 | \$ 629300 |
| | | | | | | \$ 88600 |
| | | | | | | \$ 18139 (a) |
| TOTAL US DEPARTMENT OF AGRICULTURE OTHER FEDERAL ASSISTANCE | | | | | | |
| | | \$ 2415000 | \$ 165838 | \$ 1862938 | \$ 570201 | \$ 629300 |
| | | | | | | \$ 88600 |
| | | | | | | \$ 18139 |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | | | | |
| | | \$ 2415000 | \$ 165838 | \$ 1862938 | \$ 570201 | \$ 629300 |
| | | | | | | \$ 88600 |
| | | | | | | \$ 18139 |

NOTES:

- (a) Additional City contributions required to complete project.
1. *Designates Major Program
2. In accordance with OMB Circular A-133, since federal awards expended were greater than \$300,000 but less than \$10 million, Type A programs are those programs with expended funds of \$300,000 or more. Based on this threshold, the 2001 Water Supply System Improvement was the only Type A program.

CITY OF IRON RIVER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the **City of Iron River** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. MAJOR PROGRAMS

Major programs were determined by a risk based approach, which includes consideration of current and prior audit expenses, oversight by federal agencies and pass-through entities, and inherent risk of the program in addition to the \$300,000 expenditure threshold.

CITY OF IRON RIVER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2005

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- . Material weakness(es) identified? ☐ yes ☒ no
- . Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- . Material weakness(es) identified? ☐ yes ☒ no
- . Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ yes ☒ no

Identification of major programs:

CFDA Numbers

Name of Federal Program of Cluster

| | |
|---------------------|--------------------------|
| 10 US Department of | 2001 Water Supply System |
| Agriculture | Improvements |

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

CITY OF IRON RIVER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2005
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no matters to be reported.

CITY OF IRON RIVER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2005
(Continued)

SECTION III- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to be reported.

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Honorable Mayor and Members of the City Council
City of Iron River
106 West Genesee Street
Iron River, Michigan 49935

In planning and performing the audit of the financial statements of the City of Iron River, we considered the City's internal control structure to plan the auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated September 15, 2005 on the financial statements of the City of Iron River. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate City officials, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience or to assist you in implementing the recommendations. Our comments are summarized as follows:

BUDGETARY

Problem

During the year ended June 30, 2005, the City incurred several expenditures which were in excess of amounts appropriated.

Recommendation

In the future, closer monitoring should be done in regards to budgetary appropriations and expenditures.

SUPPORTING DOCUMENTATION - EQUIPMENT RENTAL

Problem

In conjunction with the prior audit, it was noted that insufficient documentation exists to link the equipment rental on employee time sheets to the equipment rental summary sheets. Office staff must occasionally interpret the data on the time sheets, but there was a lack of documentation of these interpretations, resulting in an inability to reconcile the two at a later date.

City of Iron River

Recommendation

It was recommended that employee time sheets provide more clarification regarding equipment rental, and any interpretations required by office staff be noted on the face of these time sheets, so that future agreements of the time sheets and the equipment rental summaries be made possible.

Resolution

This has been satisfactorily resolved.

The above recommendations have been discussed with City officials.

It has been a pleasure working with the City Officials, and we wish to express our appreciation for their cooperation and assistance during the audit engagement.

Yours very truly,



Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

September 15, 2005

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

September 15, 2005

Honorable Mayor and Members of the City Council
City of Iron River
106 West Genesee Street
Iron River, Michigan 49935

We have audited the financial statements of the City of Iron River for the year ended June 30, 2005, and have issued our report thereon dated September 15, 2005. Professional standards require that we provide you with the following information related to the audit:

Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated July 13, 2005, our responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of the audit, we considered the internal control of the City of Iron River. Such considerations were solely for the purpose of determining the audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Iron River's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.

Significant Accounting Policies (Continued)

The significant accounting policies used by the City of Iron River are described in the Note to the financial statements. There were no new accounting policies adopted and the application of existing policies was not changed during this year. We noted no transactions entered into by the City of Iron River during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no sensitive estimates affecting the financial statements as presented.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the City of Iron River that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the City of Iron River's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations.

Page Three

Consultations with Other Independent Accountants (Continued)

If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

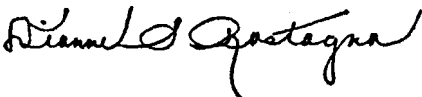
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Iron River's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing the audit.

This information is intended solely for the use of the Board and management of the City of Iron River and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Dianne S. Rostagno".

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.